

The Economist

1961 - December - 2, 9, 16.

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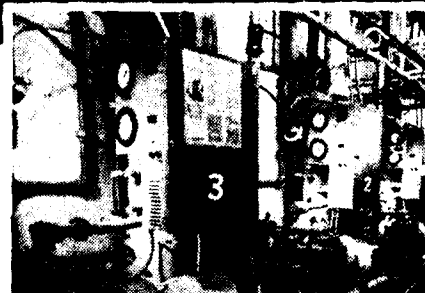


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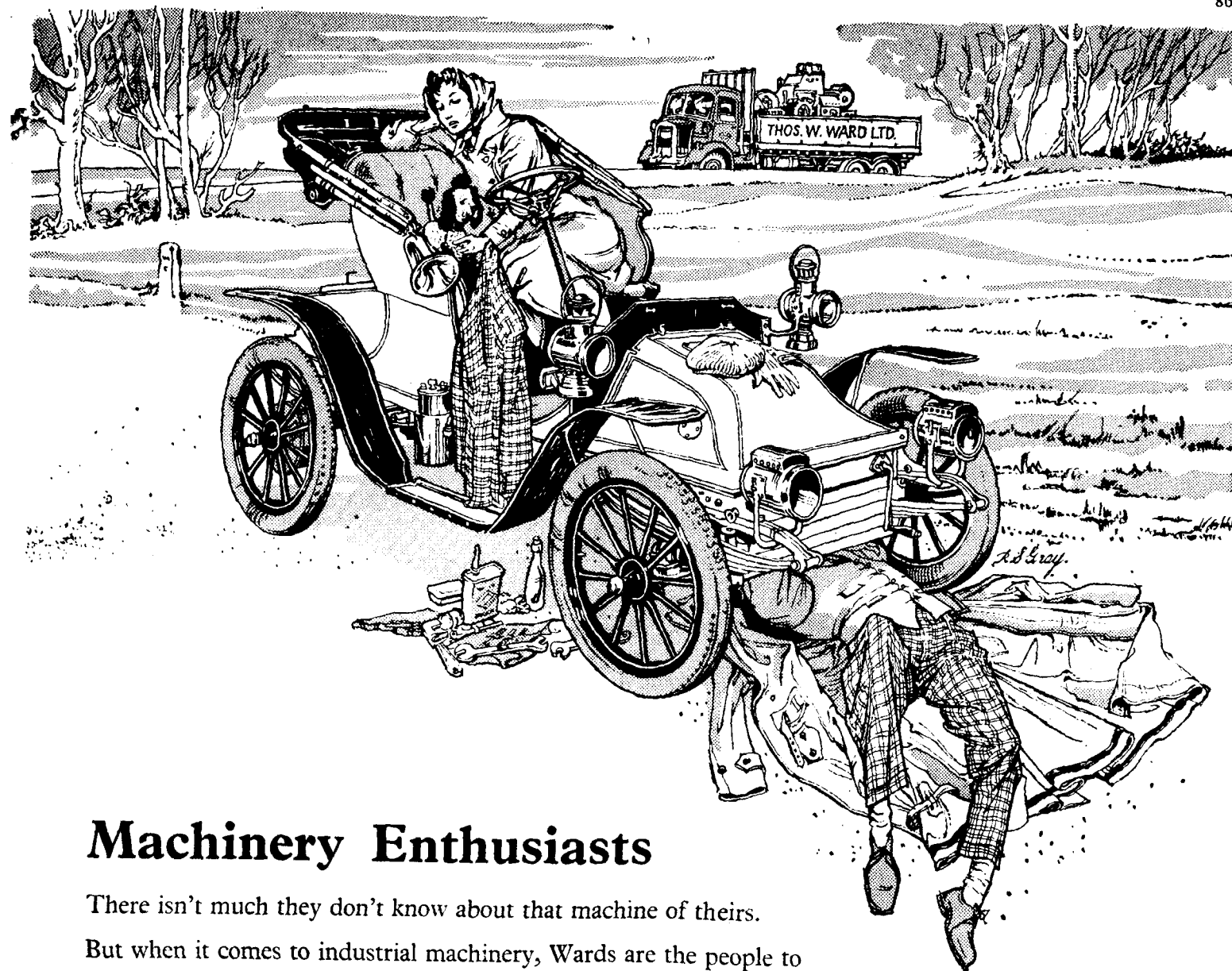
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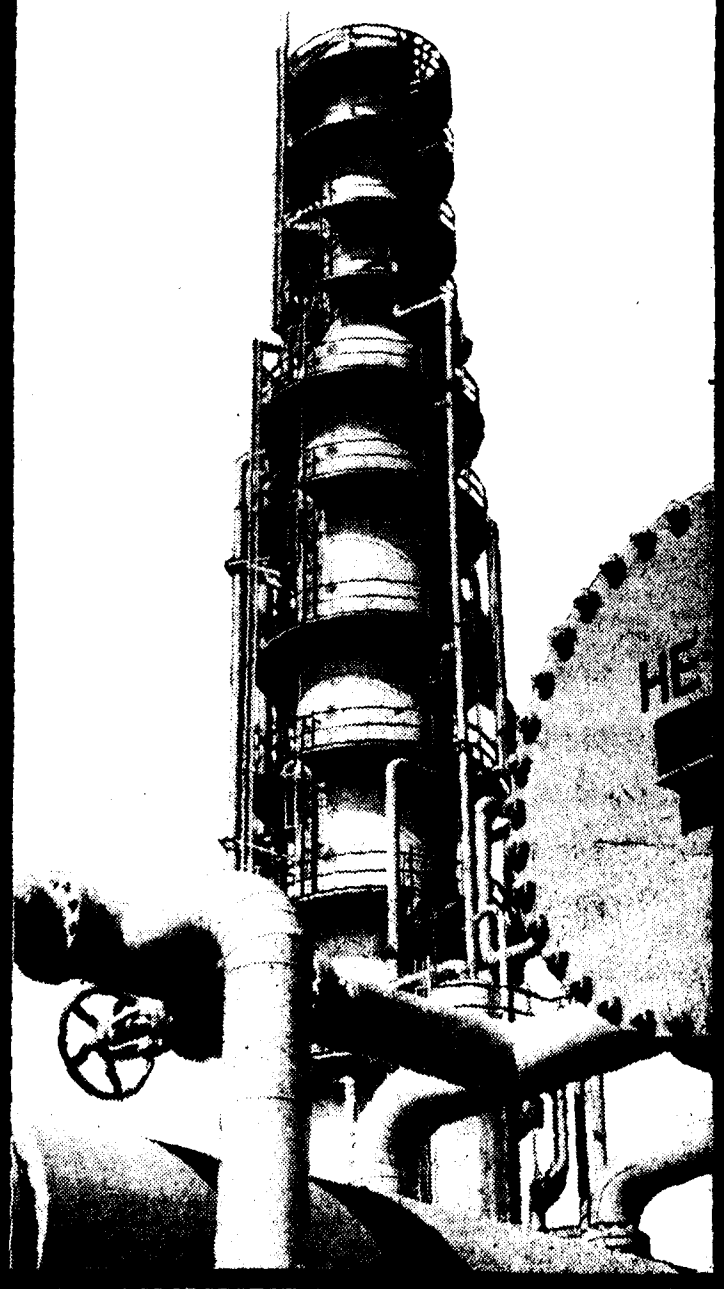
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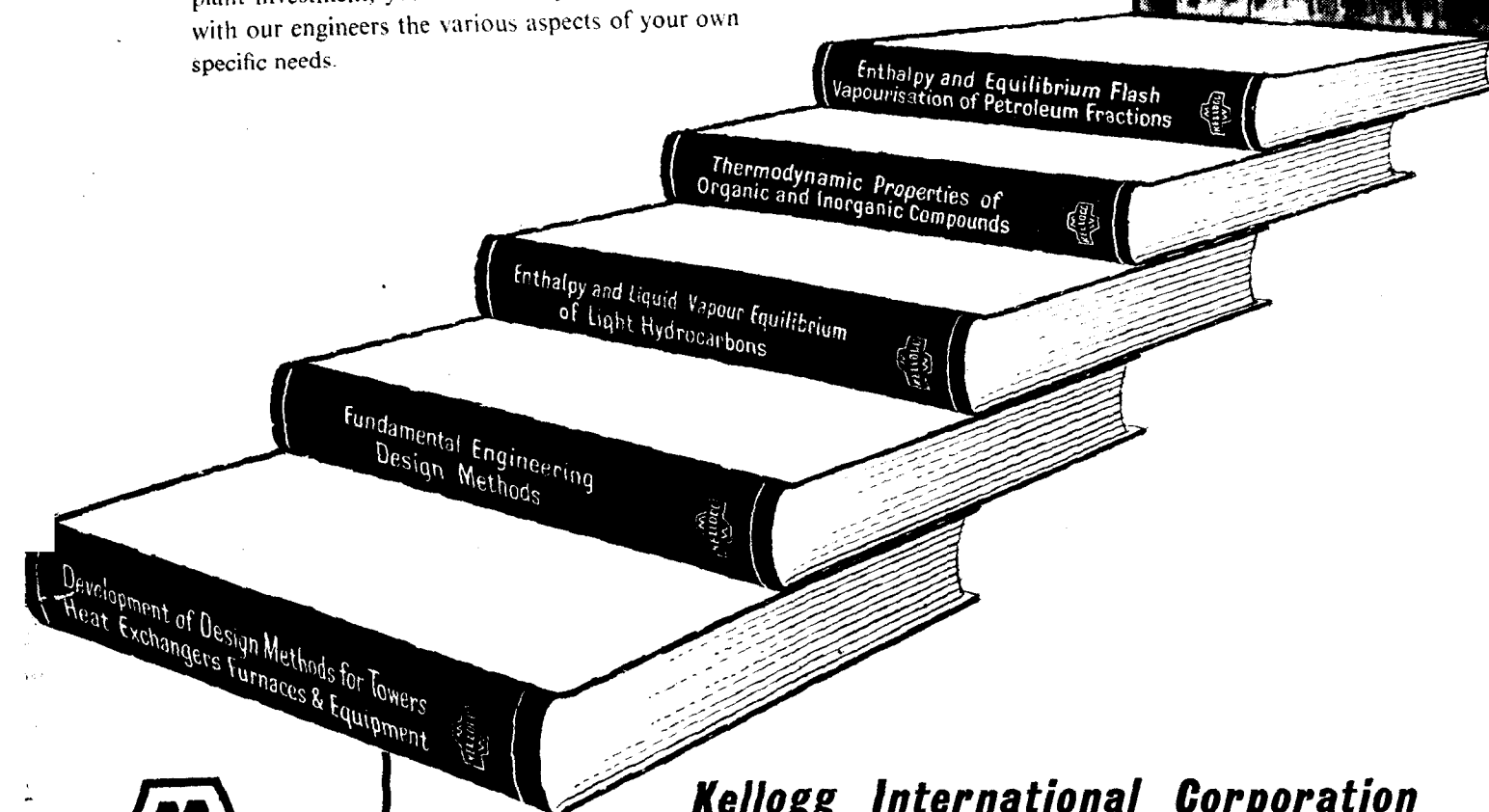
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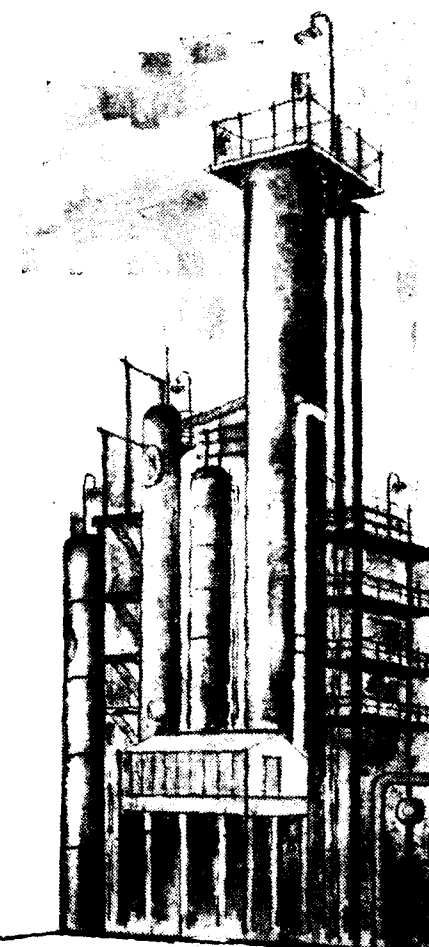
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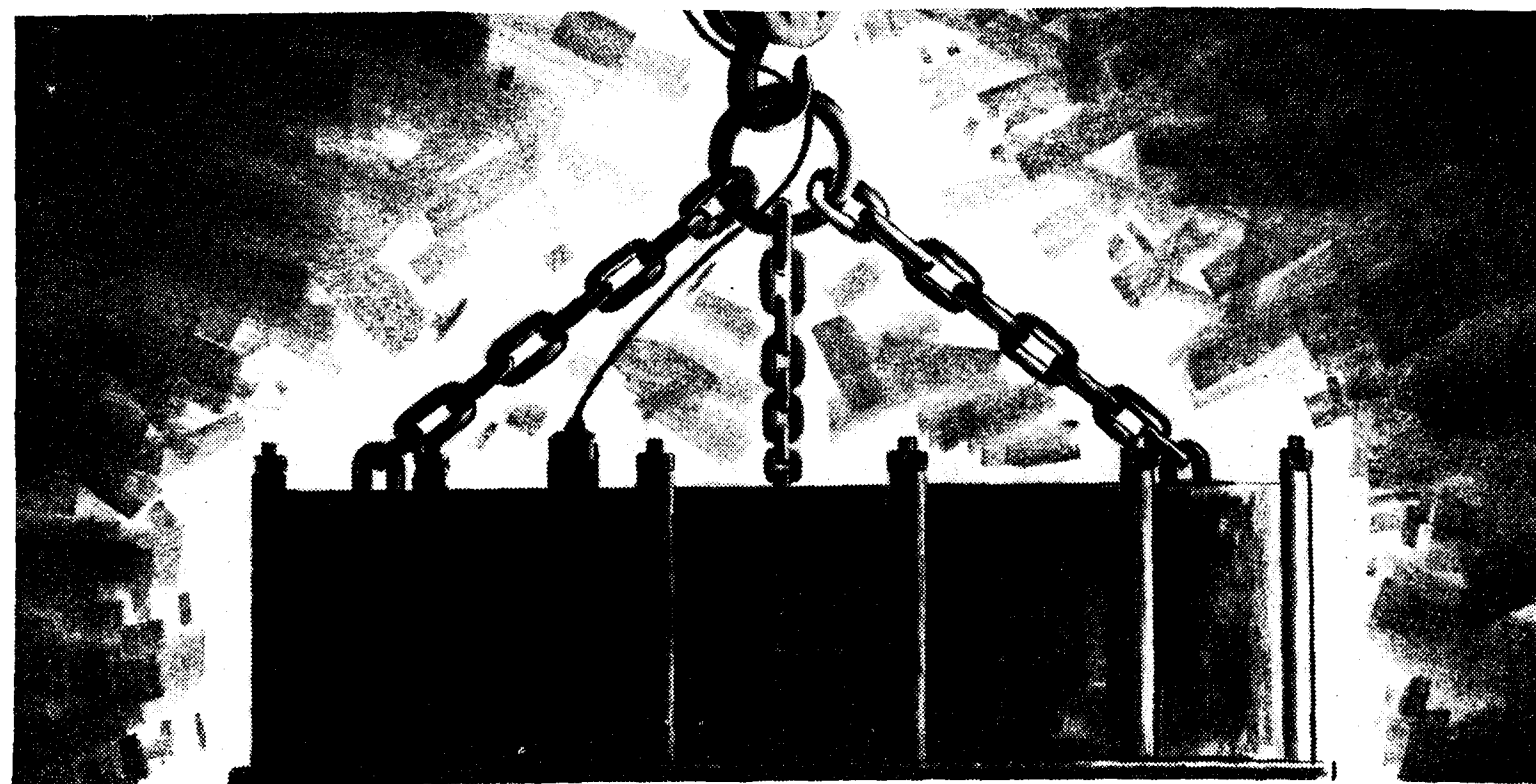
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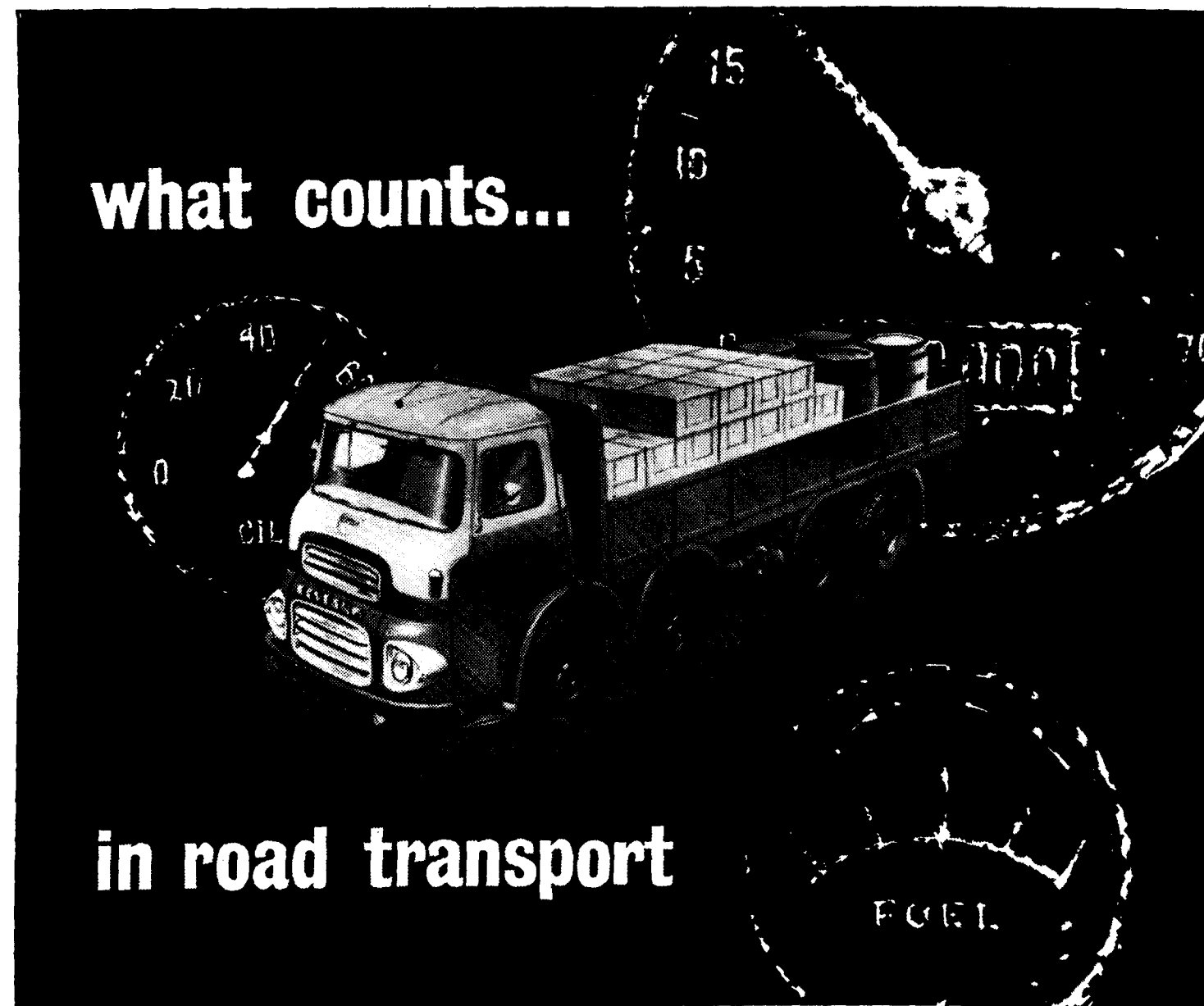


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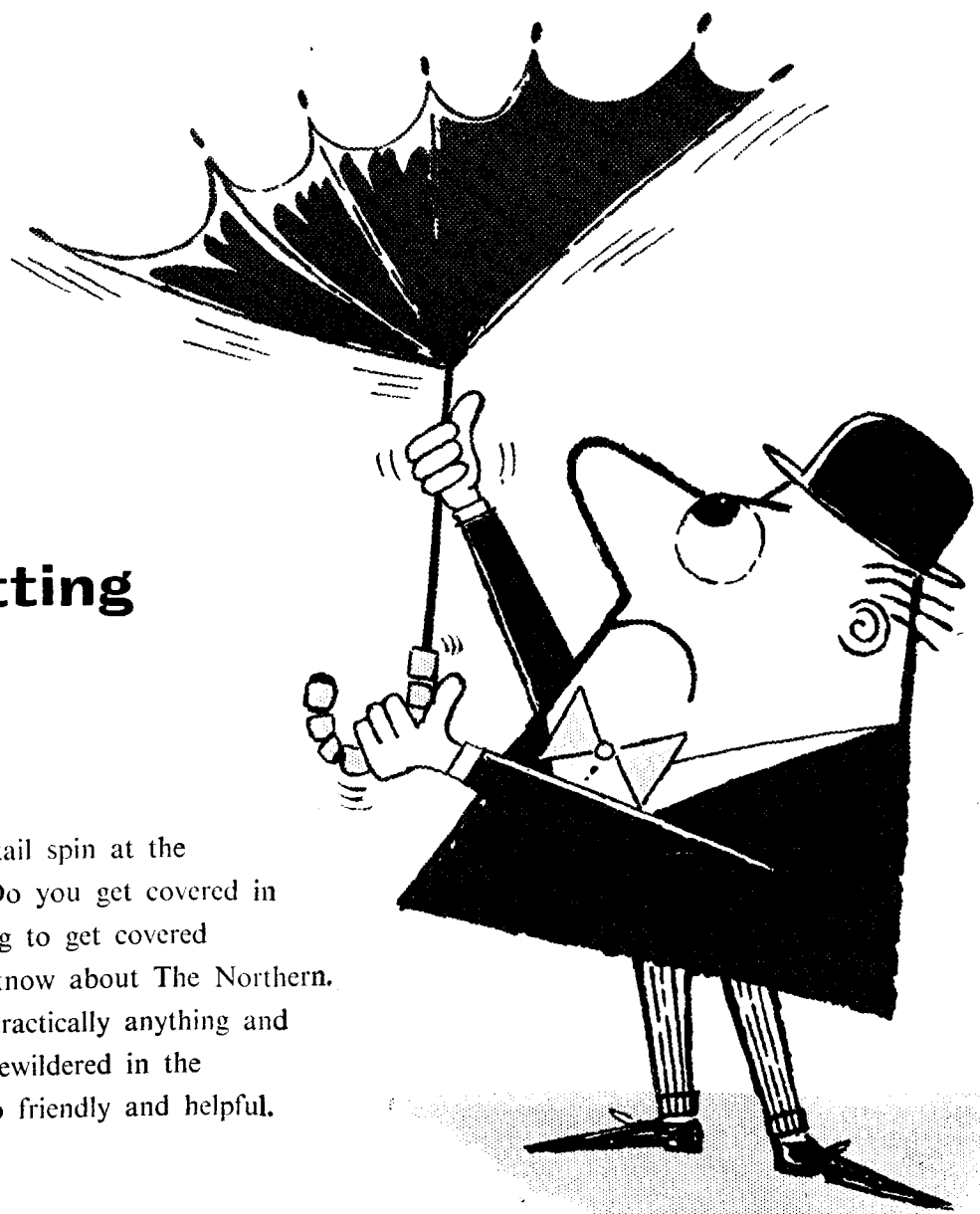
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VOLUME CCI - NUMBER 6171

Fit to Survive?

TODAY'S question is not whether the Government will survive the political fall-out from its economic fumbling; there is no present option. It is not whether Mr Selwyn Lloyd is going to go on surviving personally; he at any rate seems to be determined to stand as firm as he can. The question is whether the steadily wealthier Britain which is the promise of every politician from the Prime Minister downwards, and the premise of every citizen's rising expectations, is going to be able to survive mid-twentieth-century competition, in the common market or out.

Mr Macmillan, as usual, has the words for it: "Britain cannot keep her present prosperity—let alone rise to higher levels—unless she can meet the growing competition in world markets." Have he and his colleagues also the will and the wit for it? That, and not any league table of particular Tory ministers' ups and downs, is the question-mark left by the latest faltering over the pay pause. It is the oldest question-mark in this country's postwar politics and economics. Every government of whatever colour since 1945 has had to confess the self-strangling process by which, when incomes grow more than output grows, the growth in output has to be stopped, because of the drag of home demand and higher costs on exports and the down-draught on the balance of payments and the worth of the pound. All the relevant evidence is that output, exports and real earnings have gone ahead together only during the brief spells without inflation, whether by the pull of too high demand or the push of too high wage costs. Yet no government has had the guts or guile to turn these fleeting and almost accidental proofs of the way to progress into a policy for growth; and the trade unions have gone on chasing the will o' the wisp of the biggest money wages that can be got in the soft economy from un-taut industries and escalated awards to public bodies.

The first responsibility is the Government's, not the trade unions': a responsibility not to run the economy but to create the conditions, to furnish the incentives, for its competitive growth. It is over ten years now since the Tories came back to power, and not far short of five since Mr Macmillan took over. Always until now they have broken their teeth on this economic test; and whether they win again at the next election or not, this may be their last chance to show that Tory freedom, or indeed Tory planning, works. This time, Mr Lloyd said it was going to be different—as other Chancellors have said before. In July, with the pound again in danger, he had to reinforce his austere budget balancing of April by more taxes on consumption and severer credit controls. That was first aid, and familiar. What of the cure? To stop the old chronic apoplexy of inflationary pay rises he called for the famous pause. He promised a new look at the forward budgeting of public investment and the control of public expenditure. And, just a decade after the election of 1951 when planning was the dirtiest word, he began to talk of new ways of planning for balanced growth, with targets set in proper relation for output, exports and incomes. First the pause, then the plan.

Is it all going to run into the sand again? That is the nagging fear now. A pay pause is not a policy. To freeze rewards is no recipe for growth. But, until there is a policy which puts the incentives for paying higher incomes, and the disincentives for not paying them, where these ought to be, the pause is its indispensable prelude, even at the necessity of facing strikes to enforce it.

Yet the signs are, for all this week's fresh assurances, that the pause may not be held, when a real crunch comes in a key industry; and there is no real proof yet of the programme for competitive earning that alone should take its place. If Mr Lloyd's National Economic Development Council does come into being, it looks like being yet one more instrument for industrial self-government by unathletic compromise. Nothing positive at all has yet emerged from the pause for thought and action, which the pay pause surely was: no token of any real change in the fondness for bolstering and protecting uneconomic activities, but rather the reverse; no weakening in protectionist habits yet to match the undoubted eagerness to enter the common market, with tariffs boldly down, in 1963; no schemes of practical imagination either to speed the movement of workers from unprofitable to profitable tasks or, within the world rules, to help forward British exports.

Hunt the scapegoat is a fascinating game, but not much

help. No doubt Mr Lloyd doggedly desires to have a policy if he can find one. The fear is that the collectivity of ministers, like the collectivity of trade unionists, or indeed the collectivity of any national group, is still too soft-centred to face the challenge end-on, and without self-deception. If so, the implication has to be faced. It is as Mr Macmillan put it: not just devaluation (the naughty word that Mr Lloyd used to the Trades Union Congress on Tuesday) but national decline. Whether he and his colleagues are fit to survive will be decided by the electors in two years' time. Whether Britain is fit to survive, in the station to which God is still believed to have called it, is being decided all the time. On the answer depends Britain's place in Europe and the Commonwealth (which is discussed in the articles that follow), in the Atlantic community (to which President Kennedy is giving fresh significance in his face-lift for American trade policy) and in the world at large. Survival begins at home.

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Design Revealed

"In saying that we wish to join the EEC we mean that we desire to become full, wholehearted and active members of the European Community in its widest sense and to go forward with you in the building of the new Europe."

MR HEATH's speech of October 10th, now that it has cascaded through the leak, emerges as one of the most important in British history. Although some people have been *blasé* enough to pretend that there is nothing new in it, this is really the carefully thought-out design for Britain's whole approach to Europe. Does it show the Government looking boldly enough ahead, or too timorously over its shoulder?

In all matters that concern Britain's own manufacturing and trading, the answer is that boldness has won; in this part of the speech the conversion to brave perspicacity seems to be complete. Britain "accepts without qualification the objectives laid down in Articles 2 and 3 of the Treaty of Rome, including the elimination of internal tariffs, a common customs tariff, a common commercial policy. . . ." It "accepts the structure of the present EEC tariff as the basis of the common tariff of the enlarged community," except that (to compensate other countries in Gatt for the enlargement of discriminatory trade in Europe) we rightly support "making a linear cut in the common tariff as it stands today . . . of the order of 20 per cent." Moreover Mr Heath told the common market ministers that Britain is

"ready, once we enter the Community, to make, in a single operation, the same cuts in tariffs on trade between member states as you will have yourself made by that date. In addition, we are prepared to move our 'most favoured nation' tariffs towards the new common tariff by a step equivalent to that which you have already taken. This would be a considerable leap forward. . . ."

It would be a considerable leap forward indeed. It implies that at about the end of next year many of the tariffs that protect British industry are liable to be cut, in one single and abrupt operation, by something over 50 per cent.

It also now seems unlikely, after reading this speech, that British farmers will be allowed to block the way into the common market. Beneath a mountain of tactful politician's phrases, Mr Heath's most specific suggestion and request here was merely that "the transitional arrangements" before Britain is fully integrated into Europe's proposed agricultural policy might "where necessary, continue for a period of between 12 and 15 years from when we joined." Such treaty provisions delaying the obligation of integration for 12 or 15 years never really mean very much. If continental Europe's common agricultural policy prospers, Britain will want to be integrated into it long before 15 years; if it does not prosper Europe's common agricultural policy will itself be changed long before then—or become nugatory.

Perhaps inevitably, in present political circumstances, it is the Commonwealth part of Mr Heath's speech that is the least felicitous and the least dynamic; it is infelicitous and undynamic because it is so loyal. Mr Heath began here with the obvious debating point: special arrangements have been made in EEC for that proportion (more than 20 per cent) of France's imports that comes from territories once associated with her, so special arrangements for the 36 per cent of Britain's imports that come from the Commonwealth would not be without precedent. The nature of the precedent is that "for some countries—Morocco and Tunisia, for example—the problem was solved by maintaining . . . their



Mr Heath, explaining

right of access to the market of the country with which they were associated. . . . Others who became associated overseas countries or territories [i.e., associated with the Treaty of Rome itself] gained a preferential position for their products in the common market as a whole."

UNDOUBTEDLY, the best solution for the underdeveloped Commonwealth countries—broadly, all of them from India down—would be to seek preferences in all Europe by becoming "associated" territories under Part 4 of the Treaty of Rome. But Europe probably would not accept the biggest of them (like India), and some of the Commonwealth Asians and Africans may refuse to apply because of political misconceptions about what "associated" status means. So Britain's "alternative approach" is rightly to ask that their tropical agricultural products—such as Ghana's cocoa, India's and Ceylon's tea—should be exempted from tariffs either (and preferably) for all exports of these commodities into all Europe, or else (as a second best) at least for these countries' exports of these particular commodities into Britain. Mr Heath was slightly less specific about his proposals for manufactured exports from these underdeveloped countries—a problem which he suggested particularly concerns the Asian Commonwealth countries and Hong Kong, but which will concern all of the others in time. But he told the common market ministers "you will probably agree that it would not be in the general interest that the United Kingdom should erect fresh tariff barriers to cut back such trade."

Probably, these problems of the underdeveloped Commonwealth countries will be solved in time. Mr Heath implicitly recognised that Britain cannot hope to put up the same fight for manufactured exports from the developed countries of the Commonwealth. This will annoy Canada, whose fully manufactured exports to Britain account for less than 5 per cent of its total export trade, and which sends to Britain less than 20 per cent of its exports in all. But these figures frankly do not give Canada the right—though it is utilising the occasion—to make its voice quite so loudly heard in these negotiations as, say, Australia and India (about 30 per cent of whose total exports go to Britain), Nigeria and New Zealand (between 50 and 60 per cent), or some of the remaining colonies (at the top of them, Mauritius still sends 82 per cent of its exports to Britain). Moreover, Britain is helping Canada (and some others) by asking that five important Commonwealth-produced raw materials—aluminium, wood pulp, newsprint, lead and zinc—should not be subject to any tariff in Europe.

There remains the one field in which Mr Heath's speech may legitimately be criticised by pro-marketeers: the one subject on which one is still most fearful that the whole project could fail. This is the question of exports of temperate food-stuffs—meat, wheat, dairy products—from the developed countries of the Commonwealth. Here Mr Heath sounded rigid. "Australia, New Zealand and Canada, in particular, have vital interests in this field for which special arrangements must be made." "We shall no doubt have to consider a whole range of possibilities, including duty-free, levy-free, or preferential quotas, market-sharing arrangements, and long-term contracts." His ruling principle was that the Commonwealth producers concerned

"should be given in the future the opportunity of outlets for their produce comparable to those that they now enjoy."

In a changing world it is never possible to guarantee to a producer that he can be accorded for all time the same level of market opportunities as he happens to be enjoying now. It is this sentence that might perhaps have been phrased differently if Mr Heath's speech had been intended for publication. Now that it is public, the danger exists that it might come to be regarded as a rigid commitment. In that case, it could prove to be an albatross, and an expensive one: either politically expensive, as ministers struggle later to explain to indignant Commonwealth governments why they have not quite managed to live up to it; or convulsively expensive, if the whole effort to get Britain into this new order in the world were to fail, because of bitter marginal argument about some small missing fraction out of the £300 million worth a year of British imports of meat, butter and wheat from the Commonwealth. This the future will show. Mr Heath's speech is an enlightened document and marks a stage in British evolution; surely it cannot be the intention to allow so great a project to founder through final disagreement about such a relatively few million pounds' worth of tar.

This, then, is the basis of the British approach—the brief for the small team of British officials who last week started on the long, arduous business of detailed negotiation. Our correspondent in Brussels describes below the outcome of the first week's—still exploratory and rudimentary—talks.

Brussels: Work in Progress

The opening stages, between officials, of the common market negotiations are reconstructed by our Brussels correspondent

DETAILED negotiations between Britain and the common market opened on Wednesday, November 15th, in the Rue des Quatre Bras, Brussels. Sir Pierson Dixon led the proceedings for the British until Friday afternoon, November 17th, when he handed over to Mr Eric Roll and left to be available for Mr Macmillan's meeting with General de Gaulle at Birch Grove. Herr Lahr, the west German state secretary for foreign affairs, was in the chair, and delegates were present from each country of the Six, together with officials of the European Commission. Indeed, it looks as if the commission, having gained, against French disapproval, the right to speak freely during the negotiations, is now likely to play a major part, for the good reason that it naturally has a more global view of community affairs than any one of the six governments, as well as knowing by heart the Treaty of Rome, of which it is the official guardian.

The six governments had made clear during the ministerial meeting their determination to approach each problem by way of the Rome treaty. The European Economic Community, they maintain, is after all primarily an economic union, and the principle of the common external tariff is fundamental to it. It follows that, whatever the multifarious claims of Commonwealth countries to be regarded as special cases, and however large, complex and interdependent Commonwealth problems may be, the rules of the treaty must not be allowed to become exceptions and the exception the rule. One wonders if in fact there is not a risk that the Six and the Commission may forget Professor Hallstein's much-quoted remark, "We are not in business, we are in politics." However, it

is probably too early to voice fears of the damage that narrowness of vision would do.

The common external tariff was taken as the starting point when the negotiators gathered on the first morning. Sir Pierson Dixon confirmed Mr Heath's statement that the British are prepared to accept in principle the common external tariff as it will stand after the Dillon negotiations which have just re-opened in the General Agreement on Tariffs and Trade. The Six, it will be remembered, some time ago offered a 20 per cent across-the-board reduction, which began to be taken into account in tariff-fixing at the end of last year and would become definitive on January 1, 1963, if the other Gatt members were prepared to make equivalent reductions. But the two highest-tariff countries of the common market, France and Italy, are dissatisfied with present American offers, and it now seems unlikely that the Community will maintain the whole of this reduction. However, the six appeared glad to hear the British repeat their offer.

The second item on Wednesday's agenda concerned the alterations requested by Britain to the common external tariff for a number of items, including the five previously cited by Mr Heath: Aluminium, paper pulp and newsprint, lead and zinc. All these are basic industrial materials on which the United Kingdom tariff is either nil (as for the first three) or very low indeed (lead and zinc). However, several of these items are on the common market List G—that is, their tariffs were undetermined when the Rome treaty was drawn up, and were separately considered later. The tariff on aluminium, for example, was finally fixed at 10 per cent—too high for Britain's liking, for a basic material. After some study of the British list it was decided to set up a special working party of the Six and the British to examine, from November 27th onward, the estimated import requirements, present trade links, and all other relevant factors concerning each product. A report is to be made by this working party to the senior officials when they meet on December 4th.

THURSDAY morning, November 16th, began with a second co-ordination meeting of the six delegations and the commission, after which the main work of the day was a study of manufactured goods from both the industrialised and "developing" countries of the Commonwealth. It was decided that the British delegation and the commission should together prepare a statistical analysis giving details of the output and exports of the industrialised countries, as well as a similar analysis of manufactured goods from "developing" countries—with some attention in the latter case to the growth factor. Subsequently, tropical products were considered, and here also more data were felt to be necessary; a list is to be prepared in detail, by country and by product.

The discussions on November 17th were taken up by a wide review of Commonwealth questions, in which Britain presented to the Six a complete list of Commonwealth countries with their trade figures. But here again more details were felt to be needed, not only in view of the different nomenclatures in use by the Commonwealth countries and the EEC, but also because of the complexity of Commonwealth trade. It was agreed that the statisticians should be given a week to prepare the facts, broken down into suitable sub-headings. During this Friday the possible eligibility for some form of association of an unspecified number of Commonwealth countries was touched upon, but it was felt this big question was best postponed until the next round of data-gathering was completed.

The delegations have not met during the present week, but the various working parties have been going ahead and are to present their reports to the senior officials on Monday, in preparation for the ministerial meeting on December 8th and 9th. So far, then, the talks have been fairly quiet and exploratory, with very

little to show for them. The teams worked in privacy, undisturbed by the reports of the leaking of the Paris speech that had the British Press on tenterhooks. By all accounts the atmosphere was good. The Six, the commission and the British were getting to know each other in the corridors as well as in the conference rooms. This is pleasant news: rubbing shoulders frequently will probably gradually foster the necessary familiarity of each with the way the others' minds work, as it has done for the Six themselves. It is not without importance that the Six, in spite of their frequent differences, have evolved together a common style of approach to problems and a common style of presenting their case which may not yet be fully shared by the British. Do the latter, one wonders, strike an unfamiliar note? In any case both teams seem to be impressed, as they take each other's measure, by the quality of the other side. Undoubtedly they will make a strong force if they ever sit on the same side of the table.

Consulting Room

Commonwealth consultation, a necessary habit, cannot be an unbreakable one

BRITISH governments do not like to put it all on paper, as other European governments do. When matters must be put in writing, the British usually prefer the general to the specific. No one has stronger reason to cherish this ingrained British habit than the Lord Privy Seal, Mr Edward Heath. He has to talk to six European governments and the European Commission, on a project that involves the largest interests of Britain. At the same time he has to plead the interests of seven other European governments, twelve independent Commonwealth governments, and a dozen British dependencies. He and his fellow negotiators must have freedom to be flexible; they cannot accept the plea of any Commonwealth country, under the guise of "consultation," to have, in effect, a voice with a veto in what is said and written. And the more published documents there are, the less freedom they will have.

There is nothing of perfidious Albion about this. Flexibility is not always a euphemism for hypocrisy. Most negotiators know that adopting a rigid stance at the beginning of difficult discussions is one of the best ways of ensuring a breakdown at the end. In the common market talks New Zealand, for example, has a right to know the lines along which Britain will work to protect sales of New Zealand butter; but, unless there is very close understanding between the two governments, a circulation of the precise texts of all the relevant documents would make Mr Heath's task more difficult—and not advance New Zealand's cause. It would make it possible for New Zealanders to complain if the final arrangements did not conform to the exact words of the original proposals; and, if he had reason to fear such complaints, Mr Heath might be in a worse position to look after New Zealand's interests (by bargaining for the best the Six will give) than if he had freedom of movement. This contingency can be multiplied many times.

It was to establish the precedent of not telling all, and not actually to hide anything, that Mr Heath's opening speech to the common market ministers in Paris on October 10th was not circulated in full to Commonwealth and Efta governments. When others (including perhaps the Canadians) were seen to have winked out copies for themselves, the right thing to do, as the British Government saw, was to publish it; and this was done on Wednesday. The difficulty is that it is almost impossible to keep secrets as big as this, especially when so many people are possessed of them. The danger now is that Mr Heath and his negotiators may in future feel the need to be as circumspect when

they speak to the Six in private as they would if they were speaking anywhere else in public.

This would not make things any easier. Britain, as suitor in the negotiations, is wooing governments used to thinking in careful clauses, paragraphs, sections and sub-sections. To meet the Europeans, it must spell things out in finer detail than it would, perhaps, like. To meet the Commonwealth, it must consult the affected countries when their interests come on the agenda; if leakages occur again, it may become necessary to abandon attempts to talk to the Commonwealth countries in summaries. This would be a pity.

ANOTHER kind of pressure for giving exact words to the Commonwealth flows from the belief that consultation is an absolute Commonwealth law. The Prime Minister of Malaya, for example, last week cited "Commonwealth consultation" as one of the major means of control his government would have over the Singapore base, if Malaya and Singapore join in a Malaysia federation. The written agreement between Tunku Abdul Rahman and the British Government provides for less control over the Singapore base than the Tunku is telling Malaysians he has. But to him, "consultation" fills the gap.

In the same way, Mr Gaitskell attacked the government last week for not consulting fully with the Prime Minister of the West Indies, Sir Grantley Adams, over the Immigration Bill. Mr Gaitskell had a point: the Government clumsily rushed the bill



The Tunku and Mr Sandys, consulting

into Parliament before there was time for proper consultation. It was bad to tell Sir Grantley the Government's intentions, to carry them out almost immediately afterwards and then (as Mr Macmillan did) to call this consultation. But there is no absolute law, *pace* Mr Fleming, that the Commonwealth must be consulted at all.

The practice is that, on many everyday issues, the Commonwealth governments are informed (rather than consulted) in more intimate detail about British and world affairs than non-Commonwealth governments are. In 1960, more than 40,000 telegrams left Downing Street (the Commonwealth Relations Office) for Commonwealth governments; about 18,000 telegrams came the other way. This is an *ad hoc* process. On some matters of very wide interest—Berlin and disarmament, say—all Commonwealth governments get much the same telegram; on others the information is given only to those specifically interested. In many instances, "consultation" means no more than an exchange of ideas; in some (as, wrongly, with the central African federation, it is stretched to mean "negotiation".

But much information is given to non-Commonwealth countries that the Commonwealth does not get. Nato, Washington, the European Free Trade Association, are all consulted by Britain about matters that some, or all, of the Commonwealth countries

are not told about. Nevertheless, the consultation that does go on is, in the words of the present Commonwealth Relations secretary, the "very lifeblood" of the Commonwealth; and it is reproduced among many less official and unofficial bodies. It does, sometimes, influence thinking on both sides. More often it merely keeps tempers. This, however, is a function of the Commonwealth and the basis of its value as a bridge between the European and the Afro-Asian worlds.

All this said, it remains true that Commonwealth consultation stops at the point where it is against the interests of any sovereign country within the group to continue it. The government of Ghana did not inform Britain before it announced its "union" with Guinea and later with Mali. The British were less than frank with their friends at the time of the Suez intervention in 1956. Consultation is invaluable; it should be encouraged as much as possible; but if it is made an unbreakable rule, it will break. This is true in the common market negotiations, in the opening phase of which the Government can justly claim that there has been more consultation than ever before. It remains true, however deeply the negotiations affect many Commonwealth countries. Responsible through its own Parliament to its own electorate, the British Government must, and presumably does, recognise that it is in Britain's interest that the Commonwealth should be satisfied with Britain's conduct. It need not, however, sacrifice Britain's own ultimate interest to that end. It must make its own consulting room.

Stile for the Six

The Six have to agree about agriculture if the common market is to make further progress

WHILE the Six and the British circle round each other like wrestlers about to grapple, France and Germany, within the common market, are already locked in a fateful argument. At meetings of the ministers of the Six on November 30th and December 15th they have to decide whether to make a start on putting a common agricultural policy into practice at the end of the year. If they cannot get over this stile, the French have declared, a halt must be called to further progress in the common market as a whole. The whole momentum of the European movement is thus at stake.

The indications are that the decision will be positive. In a speech in Strasbourg on November 20th Dr Erhard, the west German minister of economics, expressed the hope that the Council would manage to get over the remaining difficulties in the way of the new common farm policy. Since it is the Germans who have to make the sacrifices, by reducing grain prices and importing more French products, the speech was important. Indeed, this week's meeting seems likely to be preoccupied more with softening the blow for Germany than with discussing whether the Commission's proposals are to be accepted.

The decision has perhaps deeper implications for German and French domestic politics than any since the common market was born. While 4 per cent of the British labour force is on the land, farm workers make up 20 per cent of the French labour force and 15 per cent of the German. The unrest in the French countryside this summer rubbed home the urgency of the French quest for markets. President de Gaulle cannot afford a disaffected peasantry as well as the threat of another right-wing coup. For Dr Adenauer, who may yet have to administer some unpleasant foreign policy medicine to the Germans, it cannot be pleasant to have to force another dose down the throats of the staunch peasant supporters of the Christian Democratic Union.

West Germany, however, cannot indefinitely maintain the present high level of protection, which masks, in parts of the country, a minute scale of agricultural operation and an almost medieval organisation of holdings. Technical change and the steady drift from the land now make possible a revolution in farm methods throughout the common market which would bring the livestock farming of all Europe up to the standards of Denmark, Holland and New Zealand. But that revolution will only happen if the barriers come down and European livestock farming can be based on cheap feedstuffs. Thus French and Dutch exporters, pressing for the move on January 1st, are pushing in the same direction as the overseas Commonwealth.

Kite over Gatt

A KITE for a new world-wide farm deal was flown in Geneva on Tuesday by M. Baumgartner, the French finance minister. He suggested that the General Agreement on Tariffs and Trade should call a conference in January of all the main producers of non-tropical farm products to work out new orderly arrangements for world markets. Subsidies (and with them dumping) should be abandoned as a method of supporting prices, and replaced by international agreements to maintain stable "normal" prices. The idea is now circulating among the common market governments, and may feature prominently in their response to the farm problems raised by Britain's application to join the Six. Mr McEwan,

Australia's minister for trade, also evidently accepts the idea. It follows logically enough, after all, from a negotiation that throws into the melting-pot the interests of all the great agricultural exporters of the world—Australia, Canada, New Zealand and the United States.

Whether good will come of it depends on how far the interests of consumers are allowed to determine price levels. There is a vast difference between "normal" and profitable prices for wheat from the prairies and from Normandy. More immediate hope for the consumer was implicit in another move in Gatt this week. The current attempt to cut European and American tariffs by 20 per cent now looks near success, with only a few items, like cars and tobacco, still to be agreed. Mr George Ball, the newly promoted Under-Secretary of State, on Tuesday broached for the first time in an international meeting one of the bold new American ideas for further cuts. In future, he suggested, tariff cuts should be negotiated between America and Europe, not by individual items, but across the board. Evidently the American Administration is determined to move rapidly from fine free trade words to action.

It is good news that this proposal was well received, not only by the Europeans, but by Canada. When Mr Fleming saw President de Gaulle in Paris earlier this month, the French president reportedly told him that Canada would be better occupied backing the new American plans for Atlantic unity than harrying the negotiations between Britain and the Six. That is also the view of Mr Lester Pearson, the leader of the Canadian opposition. How right it is.

Defence in the Next Five Years

A layman's draft of the Defence White Paper for 1962 that Mr Watkinson ought to be writing.

DEFENCE PLANNING

27. Because defence planning must match the changing intentions and capabilities of forces which may be opposed to us, there can be no finality about it. Deployment and balance must be continually re-examined.

28. Plans may also be radically affected by technological change. At this time of rapid scientific development, even advanced weapons are almost to be superseded by something still in the position.

As previous Reports on Defence have emphasised, the Government's policy is to deter war, fulfil Britain's obligations to its allies and itself, and promote general, controlled disarmament. The present defence policy was initiated in 1957 under a five-year programme. It is now time to take stock of it in a changing world.

REGULAR FORCES

2. Voluntary recruitment was estimated, five years ago, to be capable of sustaining all-regular forces (on six-year and nine-year engagements) in the following numbers: Royal Navy 88,000, Army 165,000-180,000, and RAF 135,000. It is now apparent that by January, 1963, when the last national serviceman was to have left, the navy and air force should be able to reach those targets, except in certain technical jobs. But in the army—despite the improved rate of recruiting and reduced wastage achieved since September, 1961—there looks like being a dangerous gap. The retention of 15,000-20,000 national servicemen will bridge that gap for the first six months of 1963, but thereafter there is still likely to be a serious shortage, not so much in combat troops as in both the skilled technical grades and the humdrum supply jobs (where social status is low in all armies).

3. There are several possible methods of surmounting this difficulty. The first, which is still suggested in some quarters, is a return to general, compulsory two-year national service.

This would be bad for the regular army's prestige but, even more important, it would be thoroughly wasteful of the country's manpower and resources: during national service some 100,000 men were ineffectively tied up at any one time either in training or being trained. A second method is selective service, under which the armed forces would call up for two years only those young men reaching military age whom they require for particular jobs. This is a flexible system; it works not unreasonably in the forces of the United States; and it is a solution to which the Government will resort if necessary. Its chief drawback is that the army would get a poor return in effective service from each individual draftee in proportion to the investment of its training resources.

4. The Government is therefore going to give a third method—the maximum incentive to voluntary recruitment—a full trial for the next two years. In this period it will be able to rely, if the present state of international tension persists, on its existing powers to call a sufficient number of trained reserves, together with the prospective "Ever-Readies," back to the colours whenever needed. The Government will pay attention to the movements of earnings among comparable tradesmen in civilian life, and it will make the necessary adjustments in service pay to keep the wastage from these short-supply categories to a minimum. But its chief effort will be devoted to an entirely new concept. It will seek to make the armed forces one of the main contributors to technical education and training in the country as a whole. A

beginning has been made in this direction, but the present service opportunities need dramatic extension and improvement.

TECHNICAL TRAINING

5. Technical training will be costly, but it will be a national investment in every sense. The terms open to a young man anxious to improve himself, but aware of the bottlenecks in existing civilian training facilities, will cover five years from the age of 16-17. For the first 18 months he will be assured of a first-class full-time technical training, using facilities and civilian instruction equivalent to, or better than, technical college standard. In the ensuing six months he will complete his basic military training. There will then follow three years' service, engaged in the specialty he wishes to pursue. Those technicians who show particular promise after that time will be encouraged to re-engage for further training up to CAT or university standard; it will give them the opportunity of rising to commissioned rank if they stay in the services, and of being trained technologists when they return to civilian life.

6. The advantages of this scheme are threefold. First, the forces will be able to employ their skilled men for a reasonable period and will be conscious of giving them something worthwhile in return. Second, there is a reasonable prospect that a proportion of these trained men, even if they do not intend to rise higher, will choose to stay in uniform after five years. Third, the majority that are bound to be snapped up by industry will still be contributing far more to the economy, and therefore to the defence of the country, than they would otherwise be capable of: the army, in short, will be doing on a major scale what the larger and better firms are already prepared to do in supplying skilled labour to industry at large. Should selective service have to be resorted to for other reasons (i.e. to raise the total army strength to 200,000-250,000 men), it is thoroughly desirable that this kind of educational opportunity should be in being and available, as an alternative, to all those liable for call-up.

"INTEGRATION"

7. Even with this training scheme in being there will remain a need to make the most efficient use of manpower, both skilled and unskilled, in supply, maintenance and base area jobs in all the armed forces. Integration of the three services themselves, particularly of those units with combat duties, would be impracticable and unpopular. It would damage the *esprit de corps* on which efficiency and normal recruitment depend. But in the infrastructure of the three services, in the jobs which tend to have little standing with the powers-that-be or the public, there is a case for a merging of resources, both to promote efficiency and to make up for serious scarcities that are likely to persist indefinitely (for example, doctors and dentists). The maximum effort will be made to stop duplication in such matters as base hospital services, bakeries, long-distance transport, fuel supply and communications.

8. Unless the armed forces can themselves achieve a proper rationalisation of these duties, most of all in overseas bases, the Government will have to consider seriously the formation of a single, composite technical arm (the Royal Technical Services) whose purpose, and consequent pay and status,

would be to run this side of service life on the best standards of the civilian economy. The difficulties, particularly in the allocation of signallers and electronics experts in warships or ground combat units, are recognised, but the opportunities for reorganisation throughout the lengthy "tail" of the modern armed forces are equally apparent.

DEPLOYMENT

9. Hitherto 85 per cent of British naval strength—the most mobile arm—has been earmarked for Nato service; and 50 per cent of the army—the least mobile—has been assigned to distant and scattered areas outside the Nato command. Nato strategy now calls for bigger conventional ground forces in central Europe. This call has come at a time when Rhine Army is finding it difficult to keep up to its nominal strength of 55,000 men. The Government accepts that it must maintain, and if need be in the long run increase, this commitment in keeping with Britain's role as a European power. But for financial reasons Britain cannot be expected to station on the continent anything like as large a force in numbers or reserves as the west Germans do. The British contribution must therefore be qualitative, chiefly in armoured formations and tactical air support.

10. The rundown in Britain's overseas garrisons has proceeded apace in recent years. There are still small savings to be made, but even in Hong Kong (10,000 men) it is difficult to do more at present because most of the troops are still required for internal security. The Government, however, intends to close the following military base establishments in the next five years, subject to the international situation: Hong Kong, Gibraltar, Malta and either Cyprus or Libya. The Kenya base will be closed before then, for political reasons. Singapore, too, will have a more restricted role in keeping with the new agreement with Malaya; here the chief strategic effort will be transferred to Darwin or Fremantle.

11. Steps will be instituted, where necessary, to recruit local security forces in order to allow as many British fighting forces as possible to be deployed in other theatres, particularly Europe. An essential corollary to these changes is the provision of more air-naval and marine commando forces capable of sustaining the policeman's beat in the Mediterranean and east of Suez, using Nato, Cento and Seato bases. Recruiting for the marines (normally very satisfactory) will be increased for this purpose. The change-over will be gradual within the five-year period.

12. The existing British contribution to the strategic nuclear deterrent will be maintained as long as the V-bombers are a credible force. Thereafter the British nuclear role will be chiefly tactical, and no specifically strategic means of delivery will be developed. Little financial saving would accrue from scrapping the independent strategic deterrent at this stage: but a vast potential financial burden for the future will be avoided by this decision not to "keep up with the Joneses" in perpetually modernising it.

The Government will continue to co-operate with the Commonwealth, encourage interdependence with our other allies, pay attention to the rising power of China and keep a close watch on all defence expenditure (especially any that seems to be being proposed on "prestige," rather than hard, practical grounds).

NOTES OF THE WEEK

THE ECONOMY

Adamant Indecisiveness

BOTH the Prime Minister and the Chancellor have made speeches about the pay pause this week, but both have confined themselves to virtually useless generalities. Neither has given any indication of what he would regard as an intolerably inflationary settlement in any specific nationalised industry: whether he thinks that there should be no wage increase on the railways this year, or whether a rise of 2 per cent would seem all right, or what. On television the Chancellor even refused to say whether an inflationary settlement on the railways would do more harm to the country than a strike there ("that is a hypothetical question"). The buck and the can for the main current task in the management of the economy are thereby being passed to Dr Beeching, Lord Robens in the Coal Board, Mr Valentine at London Transport, and other nationalised industrialists. Sooner or later one of these gentlemen is quite likely to grant an inflationary settlement; and all that the Government will be able to do then is to issue an *ex-post* rebuke to him. It is extraordinary that the lesson of the electricity debacle has not been learned: by not publicly stating their own advance views of what should be the rough, but right quantitative, guiding light for wage rises (if any) in each nationalised industry, the Prime Minister and Chancellor show a political pusillanimity that could cost the economy dear.

Meanwhile representatives of the Trades Union Congress have called on the Chancellor again to explain that they will find it difficult to co-operate in any national economic planning—unless national economic planning in their own field (which they call "interference with constitutional bargaining machinery") promptly stops. Without apparently realising that there was anything bizarre in this conversation, the TUC announced that the Chancellor had agreed to consider what they had said. Presumably he will not consider it for very long, and will now at last have to go ahead and set up the "office" of salaried technocrats for his planning council, while leaving the nominal top council itself (the body that was to be composed of leading industrialists and trade unionists) either in abeyance or without TUC representatives for the time being. This would follow the French example: the French *commissariat du plan* worked successfully because the *conseil supérieur* (of top trade unionists and employers), which was nominally senior to the salaried technocrats, held virtually no meetings at all during its first fifteen years.

AMERICA AND RUSSIA

Scoop

THAT one-time newspaperman, the President of the United States, gave readers of *Izvestia* their three kopecks' worth on Tuesday evening. One's immediate reaction on reading the transcript of Mr Alexei Adzhubei's interview with the President is a feeling of relief that the White House is occupied by a man imaginative enough to know what worries his audience, and intelligent enough to put complicated thoughts into simple words.

Mr Kennedy's statement of the western point of view on general and complete disarmament ("you have to inspect not only those weapons which have been destroyed but also those weapons that remain") must have seemed as freshly reasonable to many of *Izvestia's* 4½ million readers as his views on self-determination ("if the people of any country choose to follow a communist system in a free election . . . the United States would accept that"); the more so since unfamiliarity with western ideas may well breed respect in newly enlightened Russian minds. The President's readers may thus have been in a receptive mood when they came to his account of the West's basic interests in west Berlin—to keep a small garrison there and to have, "for instance," an international administration on the autobahn.

Neither of Mr Kennedy's predecessors since the war, one suspects, could have matched the skill with which he has presented the western case to a Russian audience. But the President's words also have a meaning for listeners nearer home. General de Gaulle, who apparently declined to budge from his unwillingness to negotiate about Berlin when he talked to Mr Macmillan at Birch Grove last weekend, will have noted that Mr Kennedy wants negotiations to start "quickly." Dr Adenauer will have found even more to ponder on. The Presi-

dent said he recognised that there would be two German states so long as Russia considered this to be in its interest; and he added that if west Germany were to obtain control of nuclear weapons, he would share the Russians' concern. This goes some way towards satisfying the Russians' desire to have the existence of east Germany recognised and to limit German rearmament. Indeed, it goes just about as far as Mr Kennedy's relations with Dr Adenauer will allow him to go at the moment. By gently hinting what he cannot say openly—that he appreciates the fears about Germany which lie somewhere near the heart of Russia's recent policy in central Europe—Mr Kennedy may have eased the coming of negotiations on Berlin.

FRANCE

Eyes Front

ON November 23rd, the day before he came to England to talk to Mr Macmillan, General de Gaulle confronted eighty generals and admirals, and more than 2,500 lesser officers and NCOs, at Strasbourg. He carefully chose to address them on the anniversary of the city's liberation by Free French forces in 1944. His purpose was, by reminding his listeners of past military glories, to recall the armed forces to their prime duty, that of obedience to the state. He condemned those with "a limited conception" who presumed to oppose the policy of self-determination and independence for Algeria which was "arrived at by the head of the state, adopted by the government, approved by parliament and ratified by the French people." To detach the army from its preoccupation with Algeria, he offered it a future in which, armed with



Meeting in Sussex



Meeting in Strasbourg

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nuclear weapons so long as other countries possessed them, it could concentrate on the defence of France itself. It was a clear lead, for those who chose to follow it.

It was not merely General de Gaulle's wish to stop the army interfering with his Algerian policies that prompted him to make this speech. He wants France to recover its stature as an independent, though not friendless, great power; for this purpose a strong and united French army is essential. Whether General de Gaulle will get such an army is another matter. There seems to have been a general feeling that he said nothing new. This is, in a sense, true; but it is also true that General de Gaulle has never before dared to recall the army to its proper duty quite so boldly. It is to be hoped he will not regret it. When he last made a speech like this, in April, the result was the abortive rising led by General Challe. This time there are unlikely to be such immediately dramatic consequences. The Organisation de l'Armée Secrète is probably waiting for a deed (such as an agreement between the French government and the Algerian nationalists) rather than words before it makes its next attempt at a *coup d'état*.

BERLIN

Deadline

IDEAS put forward by the east German government have a way of being looked at less for their content than for the motives leered to lie behind them. Those preoccupied with Herr Ulbricht's undoubted wish to see communism spread to other parts of Germany see his ideas as an expression of this purpose. Those of a more cheerful disposition ask whether they betray signs that Moscow is reining him in. Thus it has been possible for Herr Ulbricht's ideas on the Berlin question, aired last week at the central committee of the Socialist Unity party, and since published in *Neues Deutschland*, to be interpreted both as a new assault upon the West and as a new display of flexibility.

In fact the proposals show little change from positions taken by Herr Ulbricht in the past. East Germany is willing to negotiate "guarantees" for west Berlin. Western states should have a "right of access to west Berlin"; but it must be negotiated with the sovereign east German government. Taking up themes discussed at the Geneva conference of foreign ministers in 1959, Herr Ulbricht demanded the gradual reduction of western troops in west Berlin "while taking into account certain western prestige interests," and an end to sabotage and disruptive activities launched from west Berlin.

There is obviously still quite a gulf between Herr Ulbricht and President de Gaulle, but it may not be unbridgeable. Another remark provides interesting evidence of the need for speed in getting negotiations going. Defending, no doubt with some discomfort, Moscow's postponement

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of the peace treaty with east Germany, Herr Ulbricht explained that the western powers had realised that negotiations must be undertaken now. They were, in other words, to be given a period of grace.

How such an opportunity could be lost was implied, quite unconsciously, in a historical aside. Turning Mr Khrushchev's attack on the anti-party group in Russia to good account, Herr Ulbricht attacked the late Mr Beria for having wanted to withdraw Soviet backing from the east German state, and Mr Malenkov for having advocated "surrender to imperialism." The accusation shows the absurdity of Mr Khrushchev's attempt to lump Mr Malenkov with Mr Molotov as a last-ditch opponent of peaceful coexistence. But it also provides forceful confirmation that in 1953, in the three months after Stalin's death, the Russians were thinking of leaving Germany, in order to diminish the risk of conflict and to unload the liability which east Germany then was. The West, however, sat tight; what may have been a chance was missed; and the project was buried under the rubble of the Berlin rising and of Beria's fall. Now, once again, the door to negotiations may not stay open long.

FINLAND

On Ice

FINLAND paid a price last weekend for being excused from the "military consultations" which Russia had demanded a month earlier; but it was a price implicit in the course the Finns have followed since the war. The essence of the "Paasikivi line," laid down by the last president, is that the government of Finland must be acceptable to the Russians if the Finns are to keep their independence. The Russians regard the present president, Mr Kekkonen, as acceptable, but not the man who planned to run against him in next February's election, Mr Olavi Honka.

Dutifully, therefore, Mr Honka withdrew his candidacy on November 25th—the day after President Kekkonen's talk to Mr Khrushchev in Siberia, and the very day on which Mr Khrushchev retracted the de-

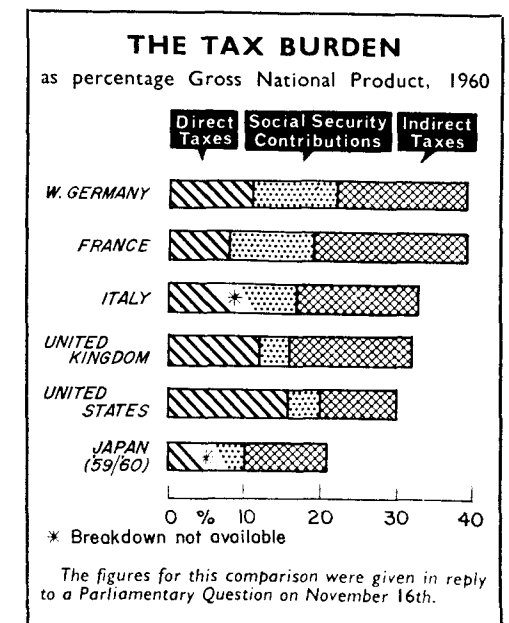
mand for "military consultations." Mr Kekkonen also suggested that other politicians unpopular with the Russians should retire from public life; a suggestion that at least one of them, Mr Leskinen, a Social Democrat, has answered with a raspberry.

In effect, Mr Khrushchev has put Finland on ice: Russo-Finnish relations will stay frozen in their present state (which is fairly satisfactory for Finland) if Finnish politics stay equally frozen. But there is almost certainly another condition. He may renew his pressure if events elsewhere in Europe—renewed tension over Berlin, for instance, or an extension of west Germany's influence in Nato's Baltic Command—tempt him to show the West how painfully he can twist the Finns' arms.

LONDON'S GOVERNMENT

Baronial Rule?

TO politicians the most contentious thing about Dr Hill's new white paper on London's government (Cmd 1562) is that it accepts the Herbert commission's main proposal for a Greater London Council: the present Labour-controlled LCC will disappear at an election in the autumn of 1964, and as the new GLC, which will include the suburbs, is more likely to be Tory-controlled, all political hell is breaking loose. But to students of good government, who have long been convinced of the wisdom of the Herbert recommendations, the most dubious thing about Cmd 1562 is that it proposes to clip the new GLC's powers. The two big changes it proposes in the Herbert scheme both serve to increase the rights and status of individual London boroughs against the GLC. First, the future merged boroughs are to be larger (minimum population 200,000) and fewer than the commission proposed, and some of them may be "substantially larger" still. Second, these boroughs are considered sizeable enough to take over full responsibility for



education, with the exception of the undefined "central area," with a population of two million, where a single education authority will inherit the rump of the LCC's kingdom.

If the scheme is acceptable at all, this special central authority (which will have the additional political sop of being more likely to be Labour-controlled) is probably a good thing. It looks as if the idea is to set up a joint educational board for the central boroughs; if so, the door will be half-opened to large *ad hoc* educational authorities in other parts of the country (which could be very useful). But the claims of the GLC to exercise a general surveillance in education (e.g. on school-building, promoting parents' freedom of choice, and teacher-training) both over this hybrid "central authority" and over the peripheral boroughs should not have been ruled out.

Considerable uncertainty also remains about precisely what powers the GLC will be given over such regional matters as general housing development, town and country planning, and traffic and highways. The GLC is to have full responsibility for overspill and will have a right of appeal to the Minister if its local development plans are vetoed by the borough concerned. This is very important, since densities are three or four times lower in the suburbs than in the centre and the GLC is the one body that can spot the opportunities for helping central London to rehouse its population. The white paper is suspiciously cagey on general planning. It says the Government has not reached "final conclusions," but its preference veers towards the boroughs except in major schemes where "it may be necessary" for the GLC to take over. All supporters of the Herbert report will regard this new plan for London as undoubtedly preferable to the existing confusion of powers: but some changes may still be needed in it to strengthen the GLC's ability to function as an effective regional authority.

POLITICAL ALLIANCES

Lib-Lab?

THE possibility of a Lib-Lab alliance to prevent the Tories establishing themselves as a more or less permanent government is being increasingly canvassed both in private and in public. It may seem an odd time to canvas it. But the idea really could become a serious one on the other side of the next general election if—which at the moment is obviously very doubtful—Labour suffered a fourth successive defeat. Already, according to a recent public opinion poll, a majority of Labour voters in the country favour such an alliance, the Liberals are more or less equally divided, and most significantly Conservative voters are overwhelmingly against.

Common ground on policy between the present Liberal leaders and the Gaitskellites might not be terribly difficult to establish. Nationalisation would be a stumbling block but the Gaitskellites are not

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exactly rabid for it, and the Liberals since their last conference have committed themselves to a policy of full economic planning. Disagreement over entry into the common market is not likely to survive Britain's actual entry into it. Gaitskellites and most Grimondites could work out a common policy on housing, land and the social services without too much difficulty. On defence Mr Gaitskell (or was it Mr Brown?) has already stolen Mr Grimond's clothes. Any such agreement would be impossible, however, until the left-wing of the Labour party had been hived—or hived itself—off. But on the other side of the next election, if Labour loses it, that might not seem a disadvantage to Mr Gaitskell; it might seem a positive attraction.

Awkwardly, any pact could not take the form of a straight exchange by which an equal number of Labour and Liberal candidates stood down in each other's favour. On the whole the Liberals would have to stand in as many constituencies as possible and Labour exercise a self-denying ordinance in withdrawing from some suburban and rural constituencies where Liberal chances of beating the Tories seem in any way to be good. There are only a handful of constituencies—if indeed there are any—where Liberal withdrawal would actually benefit the Labour candidate. In most places, at any rate at by-elections, any Liberal intervention draws votes from the Tories; and the withdrawal of a Liberal—even if Mr Grimond appealed for Liberal voters to go Labour—would probably give the Tories those votes back. This could lead, some time in the next Parliament, to a sort of informal pact: Labour might eventually stand aside informally in constituencies where the Liberals have established themselves as a second runner to the Tories. But a major obstacle is that a Liberal gain from Tory of twenty to thirty seats in this way would give the Liberals a real chance to challenge Labour as the principal opposition party. This is the hump which the Liberals must get over if they want to present themselves as a serious political party, and it is expecting a lot to ask Labour to help them do it.

NASSERISM

Know your Enemy . . .

REACTIONARIES at home, rather than imperialists abroad, are now the front line of the revolution's enemies. This was one of the main points in a meandering but sensible speech by President Nasser on November 25th, when he attended the meeting of the body which is intended to develop into the United Arab Republic's new pyramid of representative government. He traced the various stages of revolution and described, as if thinking aloud, how the long clash with western governments for his country's political and economic independence had given way to a domestic showdown between those who backed the social revolution and those who were now prepar-

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ing to fight for their vested interests. Yet, the next day, the announcement of the arrest of four French officials for espionage flung the perfidy of imperialism once more on to the front pages of the Cairo press.

France and Egypt have never mended the diplomatic relations that were broken in 1956, but they agreed in 1958 that a mission should be set up in Cairo to look after French financial and cultural interests. It was understood by the French government, but not apparently by Cairo, that the members of the mission should have diplomatic immunity; its head, M. André Mattei, has the rank of counsellor in the French foreign service. All four members of the mission were arrested a week ago on charges of relaying information to Paris, operating a spy network, publishing subversive pamphlets and smuggling money out of the country. One of the diplomats is also alleged to have confessed to more sensational, and less probable, malpractices including a plot to assassinate President Nasser. Subsequently, several other people, including three more French nationals, a former Egyptian ambassador to Paris and the Egyptian editor of an English-language periodical, have been arrested as part of the same case.

In the weeks that have followed Syria's defection, conspiracy is breathed in with the very air of Cairo. The incident underlines what an unsatisfactory substitute for diplomatic relations a financial mission can be. But the sensationalism of the wholesale arrest and, presumably, of the forthcoming trial, seems a sadly retrograde step from the target of social change towards which President Nasser, amid all his very present dangers, is fumbling a way.

. . . and your Friend

ONE of the clearest signs yet of President Nasser's dwindling importance in the Arab world was General Qasim's decision on November 25th, to release from prison his former comrade, Colonel Aref. In the early days of the Iraqi revolution, Colonel Aref was General Qasim's deputy and his closest colleague. But it soon turned out that the colonel was much keener than his leader on warm collaboration with the United Arab Republic; when he refused the relative obscurity of an ambassadorship to Bonn, he was arrested on trumped-up charges in November, 1958, and sentenced to death a few months later. Earlier this year General Qasim released half a dozen old-school politicians, including Rashid al Gailani; now he has judged it safe to show clemency, too, to the leader of President Nasser's Iraqi supporters.

SYRIA

New Times, Old Politics

VULNERABLE to criticism, and to subversion, the Syrian Arab Republic is inclined to keep its troubles to itself. The

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TO THE YOUNG MAN WHO WILL BE PROMOTED THIS YEAR



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smooth speed with which the country has been swung into the elections it is holding this Friday (December 1st) is a tribute to the army's determination and to the fact that Syrian politicians, though out of practice, have not lost their touch. During the last couple of weeks there have been ructions both in the army and in the provisional government that might, if allowed to develop, have become serious. One sign of these disturbances was the arrest and dismissal of Colonel Haydar Kuzbari, another sign may have been the decision of his cousin, Dr Mamum Kuzbari, to resign as prime minister in order to campaign in the elections. Both events were played down; possibly they can be interpreted as a modest but significant triumph for those who are trying to prevent Syria, released from the tight wire of Egyptian socialism, from rebounding too violently to the right.

Parliamentary candidates were only allowed a few days for campaigning and none of them may yet use the name of their parties. The resultant confusion would probably have been worse if Syria were a less tightly knit community. Syria has been over the Big Dipper since 1958, but its ups and downs will hardly have knocked away the bonds of family and friendship that usually determine who votes for whom. Thus, there will be familiar faces to be seen when the new parliament looks round for a president. Dr Shukri Kuwatly, Mr Khaled el Azm, Mr Nazim Kudsi, Dr Kuzbari himself: old names, but in an unnervingly new situation.

MINICABS

Will Intimidation Pay?

THERE was and is every reason to welcome the appearance in London this year of small radio-controlled hire cars: they are cheap, convenient and reasonably efficient. All believers in worthwhile economic development in Britain should feel themselves to be on the side of these minicabs—against even the best arguments of the conventional taxi-drivers, most of whom belong either to the Transport and General Workers Union's taxi section or to the British Legion cabbies' organisation. These bodies, and with them the vast majority of taxi drivers, have pointed out that the new minicabs are subject to far less stringent control by the police than the traditional cab. But they have failed to carry this true premise to its logical conclusion: that the police regulations should be revised, particularly in order to permit the use as taxis of less anachronistic and cheaper vehicles. A more dangerous form of opposition has come from a minority of louts among the taxi-drivers, who have done their best to make the minicab drivers' life impossible by damaging their vehicles, hemming them in in traffic, and generally intimidating them and some of their customers.

At the beginning of this week, the intimidators may have interpreted the changes at

the top at Welbeck Motors as a signal victory. This firm, although by no means the only one in the field, has been the leader and the chief propagandist for this economic innovation; the advertisements on its Dauphines have become one of London's eyesores. Mr Isaac Wolfson, its main financial backer, has now drawn in his horns, and Mr Gotla, the rumbustiously dynamic managing director of Welbeck, has chucked in the sponge now that the Wolfson money is no longer behind the firm. The "minicab war" may not be the reason for the withdrawal of these redoubtable business characters from this beneficial—and potentially profitable—enterprise. But their opponents are bound to be delighted if the firm's expansion slows down as a result.

But the new boost for the minicabs is that some of London's conventional taxi-drivers spent Thursday on strike in support of two of their number who had been jailed for three months and barred from driving for three years, after allegedly (the case is subject to appeal) harassing a minicab in a dangerous way. Under any circumstances there must be an advanced lunacy in the idea of meeting competition by a strike that temporarily leaves the whole field wide open to it. Under these particular circumstances, a strike against a court conviction and in support of alleged intimidation ought to horrify British public opinion; either Welbeck or other firms should surely benefit from this.

SOCIAL WORKERS

Wrong Source of Grants

THE Government's new "Health Visitors and Social Workers' Training Bill" sets up two training councils, both under the chairmanship of Sir John Wolfenden, to supervise the training of local authorities' health visitors (i.e. their qualified nurses who can visit people's homes) and to start the training of local authorities' social workers (i.e. their other home visitors, most of whom are women without any special training for their job at all). Obviously, it is right at present to have a flexible approach to these tasks, especially the second and brand new one. It should be left to the councils to decide how much of this social visiting work can sensibly be done on a voluntary or part-time rather than a trained professional basis. One should not make too much of a fuss yet that three of the four new pioneer two-year courses for social workers (at Birmingham, Liverpool and Glasgow) are at colleges of commerce, although the venue at London (at the North Western Polytechnic) on the face of it seems more suitable. Experience will show what the relationship of the new councils should be to the training of other sorts of (non-local-authority) social workers, such as probation officers or prison welfare officers or even officers of the National Assistance Board. But there is one feature of the new bill that seems insufficiently flexible from the start.

The local authorities, not the central government, will make the grants to the students who will take the courses which the councils will promote. In the second reading debate last week Mr Enoch Powell defended this, on the grounds that the making of grants for other forms of further education is a function of the local authorities; and it might seem that when the trained students are to serve the local authorities, the case for putting the financial onus on local councils is reinforced. But it isn't. There are obvious difficulties of recruitment when prospective health visitors can obtain training grants only if they sign in advance a contract of service with an individual local authority; few young women like to pledge themselves to work in a particular area for some time ahead. Some older candidates, of a sort whom it is particularly desirable to attract, may have no claim on any local education authority and may be, indeed often are, refused a grant. Some local authorities may be doubly unwilling to release their present untrained workers to take the new courses, when they will not merely lose their services temporarily but also have to pay their fees. Mr Powell argued last week that "we should see how the normal [local authority] machinery for grants works . . . before we consider whether it has to be displaced or reinforced." He would do better to take the advice of Mr Kenneth Robinson (Labour) and take "some reserve powers in the bill" to enable him to make some direct grants if necessary "rather than waiting until the system . . . breaks down and then having to come to the House with entirely new legislation."

VIETNAM

A Case for Strings?

A row that has broken out between Washington and Saigon concerns a sore point in Vietnamese-American relations: alleged strings impeding the free use of American aid. Two Saigon newspapers, clearly prompted by President Ngo Dinh Diem's government, took the Americans to task last weekend, in uninhibited language, for allegedly claiming the right to intervene in Vietnamese domestic affairs.

It is believed in Saigon that the recent American mission to south Vietnam, led by General Maxwell Taylor, urged various reforms, including decentralisation of authority and greater freedom of expression. The Vietnamese president's advisers, especially his powerful brother, Mr Ngo Dinh Nu, and Mrs Nhu, are reported as

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saying that such reforms were irrelevant and, in any event, none of the Americans' business.

On the analogy of the Malayan experience, the Americans are right. The communist bands in Malaya were defeated by a combination of military and police methods, on the one hand, and political advancement on the other. True, the British were able to take the wind out of the sails of the insurgents by offering independence to the Malaysians. It does not lie within the power of the Americans, or of Mr Diem, to offer Vietnam independence, which it already has. On the other hand, purely military or police measures are clearly not enough in the present situation of south Vietnam, where the communist-led bands have grown from 10,000 to 20,000 since the beginning of the year. If Mr Diem's army is to be successful the villagers must not only be persuaded that it can protect them against communist terror, but also that the protector has their interests at heart.

But if the Americans are right in principle, they appear to have failed—on the evidence of the Saigon press—to put their views over without offence. There are reports, moreover, that the various United States agencies working in Vietnam do not always pull together. Tact all round is required if the enormous joint effort in Vietnam is to bear fruit.

NYASALAND AND RHODESIA

Maudling Through

FRESH from Kenya (his visit there is described on page 914), the Colonial Secretary flew to Nyasaland on Thursday and is due in Northern Rhodesia this weekend. When he returns to London next week he will, most likely, have a discouraging African tale to tell. In both central African colonies, black nationalist opinion seems to have hardened since Mr Maudling took office. This is not the new Colonial Secretary's fault, but the blame will be his if the process continues.

In Nyasaland, Dr Banda, now minister of natural resources and local government, still opposes federation, in spite of the accession to control of the Legislature by his Malawi Congress party. On Sunday he publicly rejected federal money for a hydro-electric power station at the Nkula Falls, saying, "I would rather see the whole of Nyasaland starve to death than accept charity from Welensky." It has been put about in London that this sort of talk is politically necessary for Dr Banda, but that he does not really mean it and that, slowly, he and the Malawi party are coming to see the advantages of federation. Judging by their private statements, this is not true. The only federation Dr Banda's men privately say they would accept is one in which the whole, as well as each of the parts, has a black government. Sir Roy would not accept that.

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In Northern Rhodesia, Mr Kenneth Kaunda's United National Independence party has been growing more impatient, and therefore more intransigent, than ever. It seems ready in advance to reject the sort of minor concessions to their demands Mr Maudling may make; if he is to win their trust he will have to tread carefully.

SOUTH AFRICA

White Star

IT is twenty-five years since Dr Verwoerd joined five other professors at Stellenbosch university in an appeal to the prime minister of South Africa, then General Hertzog, not to allow Jewish refugees from Germany to land in the Union. After the war Dr Verwoerd's attitude towards Jews softened. As a small tribe isolated on a hostile continent, Afrikaners have long felt a curious sense of identity with the Jews, and especially with Israelis, who have been seen as defenders of a valiant outpost of civilisation in an Arab wilderness, who might sympathise with a similar outpost in Africa. And some South African Jews have supported the Afrikaners. They have probably sent more money to Israel than any other Jewish community of comparable size, but some have cancelled their donations this year because Israel voted at the United Nations against apartheid. Although many South African Jews have bravely fought apartheid, some give their votes—and their contributions—to Dr Verwoerd's Nationalist party.

Because of this, and because he believes above all in white unity, Dr Verwoerd has managed, as prime minister, to get along with South African Jews. But, angered by Israel's voting record at the UN, and upset at the considerable number of Jews who voted for the anti-apartheid Progressive party in last October's elections, Dr Verwoerd has reacted by trying to make the

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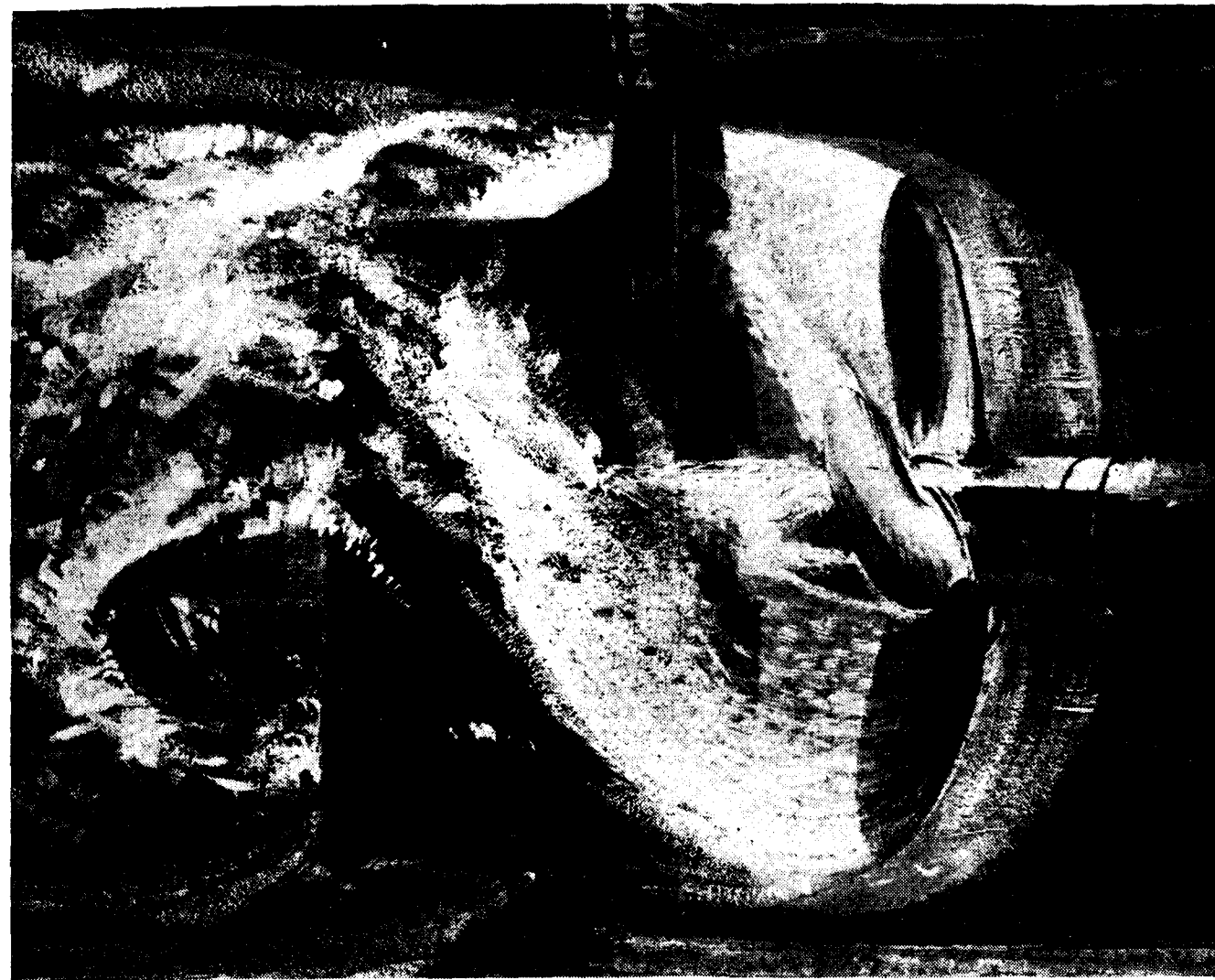
Jews hostages for Israel's actions. In a reply to a South African Jew who wrote to him deploring Israel's condemnation of South Africa, Dr Verwoerd replied last week that this was a "tragedy for Jewry in South Africa"; that it affected friendship between the two countries, and that, fortunately, "the reaction of many South African Jews and Jewish organisations was such that what might have been worse was relieved, to a certain extent, by this pro-South African reaction." Between Dr Verwoerd and their own consciences, those South African Jews who have earned the white star are in an unhappy position.

PLASTIC SURGERY

New Faces

IN May, 1960, the General Medical Council struck off the register a plastic surgeon, Mr Gardiner, who had published signed articles in a women's magazine extolling plastic surgery as a means of beauty treatment: the Privy Council in May, 1961, upheld the council's decision on appeal. The General Medical Council has now acquitted seven more plastic surgeons also accused of advertising: the accusation against them was that two separate articles in women's magazines had advised readers who wanted cosmetic operations to apply to the British Association of Plastic Surgeons for the addresses of practitioners willing to undertake work of this kind. All the seven were members of the association, which Mr Gardiner was not; and the GMC sees a distinction between collective advertising and personal publicity. But the chairman of the disciplinary committee explicitly deplored the fact that officers and members of the Association of Plastic Surgeons had co-operated, wittingly or unwittingly, in the publication of the articles concerned.

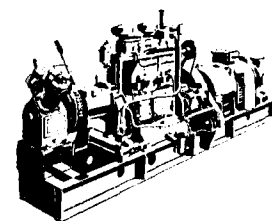
THE ECONOMIST DECEMBER 2, 1961



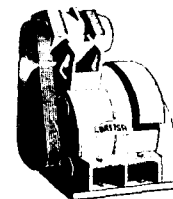
POWER on call

The trade of civilisation depends on the sailor, scarcely less today than centuries ago. Seamen in their turn rely on unfailing power along the world's shipping lanes, on the fishing grounds; in harbour too, for an engine room can seldom sleep. Engines must run for days, weeks, sometimes months with little or no attention—and never miss a beat. They must be economical on fuel, simple to maintain. Working ships must pay their way.

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The Economist

NOVEMBER 30, 1861

THE TRENT INCIDENT

THE forcible seizure of certain Confederate gentlemen on board a regular English packet by a Federal man-of-war is an act contrary to the usage of civilised nations, which the Federal Government must be called on to disavow. . . . An armed vessel of theirs has taken from an unarmed vessel of ours, under irritating circumstances, certain passengers whom our ship had received on board at the port of a neutral nation, in the usual course of business, and with no fraudulent intent. Those passengers claimed our protection, and appealed to the inviolable sanctity of the British flag. They claimed the right of asylum which we have boasted that we offer on our ships and our soil to the weaker party of all countries; they asked no aid and no favour from us; they simply sought the ordinary safeguard of our laws and the common assurance of our hospitality. It is no light matter that a foreign Government

should presume to touch with the tip of a finger men in such circumstances. The honour of England is tarnished by the ill-treatment of our guests; the security of our commerce is impaired by the violation of our vessel. The Americans may be able to justify their conduct; but they have done an act of very serious consequences, and needing very conclusive expiation. . . . Our duty is clear. We must demand moderately, but firmly, apology for the insult, and reparation to the injured. We must require that the gentlemen who have been seized should be at once set at liberty, and that regret should be expressed for the dishonour of our national flag and for the violation of the sacred right of asylum;—and we must intimate that if they refuse we have no alternative save war. The calamity is great, but the obligation is greater.

Why? Plastic surgery was developed in war, and is still proving its worth for repairing damage caused by industrial and other accidents. Its fringe activity, cosmetic surgery, may also genuinely help those with psychological worries about their face or figure. Rather more often it may merely be an expensive luxury—trivial perhaps, but surely not unethical. Cosmetic work of either kind may lead to progress in techniques that in turn have severely practical medical uses. But a person seeking a cosmetic operation, through pure vanity, may well dislike asking his general practitioner to recommend a specialist, perhaps for fear of ridicule or perhaps because he knows his particular doctor would not agree to make such a recommendation.

Some sort of advertising, in the sense of a means of giving people sound information about plastic surgeons, may thus be positively desirable. The danger of handling such information entirely through a professional group is that its members may try to impose a closed shop and thus exclude the bold innovators along with the dangerous quacks. The relationship between medicine and money has always been tricky: but the GMC, in its comments on the case of the seven acquitted surgeons, seemed to argue that practitioners of this new and delicate art should have as much difficulty as possible in meeting potential patients who are both able and eager to pay for their service. That makes neither medical nor economic nor charitable sense.

ETU

Red Circuit Rewired

MR FOULKES is sitting pretty. Last week he was chairman of the negotiators that secured the wage increase in electricity supply, and this week the Electrical Trades Union's rules revision conference at Hastings has done all the rewiring work that its anti-communist critics had feared.

The way this has been done has been by removing the power to make policy from the new anti-communist executive, and transferring it to the annual conference of the union. Hitherto this body has been dominated by Mr Foulkes's supporters, elected by tightly-organised communist groups in the branches. The other main decision was designed to strengthen still more the hand of these tight groups. In order to "comply with the judgment of Mr Justice Winn" (Mr Foulkes *dixit*), ballots will from now on be handled by chartered accountants, but in a very complicated way: members will be sent an application form for a voting form, which must then be completed and sent back to the accountants—and the addition of these complexities will doubtless be sufficient to deter yet more apathetic non-communists from voting. Once again *The Economist* must plead for union elections and union rule books to be subjected to some sort of scrutiny from an independent registrar established by legislation: mean-

while one must still hope that enough electricians will be aroused by the very ruse designed to keep a minority of communist string-pullers in power.

SHADOW CABINET

Top of the Order

THE first announcement of the Labour shadow cabinet changes came out literally as *The Economist* was going to press, too late for more than a brief comment on the top of Mr Gaitskell's batting order. Mr Wilson as shadow foreign secretary is a good appointment, especially as Mr Gordon-Walker is to be spokesman for defence. Mr Gaitskell is himself firmly in control on foreign policy matters. Mr Callaghan as shadow chancellor is, strangely, a much more doubtful move; able though he is, and more grown-up now, he has still to learn that an expansionist economy cannot continually be twisted to protect every lame dog. Mr Healey, the nicest of men, goes into the one round hole where, in the next few months, he may be a square peg. On colonial affairs one need have no reservations about him, but as Labour's Commonwealth spokesman he could be a real thorn in the flesh of that section of the party which is wisely and diligently seeking to reconcile Labour to entry into the common market. Mr Marquand's departure for Geneva will not be entirely regretted by the pro-Europeans.

HOME REPORT

Members of the editorial staff and local correspondents report on life and happenings in and around Britain

Industry's Universities

FROM OUR SPECIAL CORRESPONDENT

THE hard core of the leaders of British industry today have come up from the shop floor. In caste-conscious Britain that in itself is enough to explain the striking absence of graduates in many parts of industry. The elite industries, it is true, that have grown up most recently—chemicals, atomic energy, aircraft—send their travelling teams of selectors each year to the universities to skim the cream of the emerging scientists and engineers. But in many of the country's older industries graduates are rare, unsought and sometimes unpopular. Only two graduates were recruited into the British machine-tool industry in 1958; it is only five years since Britain's largest motor corporation began to recruit them systematically. Industrial leaders who have learned their trade inside the factory have clung to the view that it is still a better teacher than the high-falutin' Groves of Academe.

Graduates, of both arts and science, who have found their way into industry have often felt equally ill-at-ease. Training schemes by a few major firms—like the paternal British Thomson-Houston, foster-parent of so many British engineers—do provide a channel from university to management. But elsewhere the Oxbridge engineer or chemist trained for academic ends, and with a tang of class about him too, has found the Wigan pump manufacturer or the Belfast shipyard as unusable as they found him. It has been left to the technical colleges, where the bright boy in industry has



Bristol: revived orphanage

worked his way up at night school, to provide staple education for most of Britain's engineers. But this gruelling struggle is hardly the best way to produce a numerous technological elite.

The new Colleges of Advanced Technology thus have a dual problem to resolve—educational and social. Educationally, they are the first attempt in British education to create a network of independent institutions with the ultimate target of educating men to the high standards of the *Technische Hochschule* or the Massachusetts Institute of Technology. Socially they have to produce men capable of fitting into industry and to persuade industry to accept and use the product. Following the White Paper of 1956, nine colleges have now been set up, some of them developed from existing technical colleges, others new foundations; these are now training some 9,000 students, with a target of 15,000 or more by 1970.

The objective of the CATs is to produce an all-rounder for

modern industrial life. Students specialise—in engineering, say, or chemistry—but within their subject they cover a wider ground than university students, though they do not take each branch of a subject quite so far. They take a course of general education, too; (Man in Society, it is called at the new Bristol CAT). And their academic studies are set in an industrial background through the "sandwich course" system in which periods of college education alternate with periods in industry.

The exact pattern of the courses varies and is the subject of some controversy, but the norm is a four-year course, with six months of each year taken in industry and six in college. The academic course thus has eight college terms instead of nine at university; students have to work harder and more continuously, but they get breadth and colour from their time in industry. The finance of the students is divided, like the course itself, between the Government and industrial firms.

The success of the CATs is uneven; they are now passing through that crucial phase when success is in sight but not yet firmly grasped. All the same it is already possible to discern some of the qualities that are needed. Close partnership with industry is the first of these. The student, or the college for him, has to persuade an industrial firm to employ and pay him as a trainee during the factory half-year; and some students are also financed by firms during college term. Much here depends on the energy and tact of individual heads of faculty. Once an energetic engineering head gets local firms interested, and the news gets round that the new student trainees are useful, more firms begin to show interest. At Bristol, for example, it is hardly a year since the old technical college, housed in a Victorian orphanage, was given CAT status. Already it is attracting attention and support from local industry.

Firms with systematic training schemes can become quite paternal; one at Bristol, for example, is sending one of its foster children to its Canadian subsidiary for half a year. At first, there is an inevitable tendency—indeed a danger—for the CAT students to be absorbed by the established moppers-up of graduates—in Bristol's case Bristol Aircraft and the Atomic Energy Establishment. But smaller firms (or even British Railways) who would not have touched educated technologists before, are beginning to try out the new creature, the Dip Tech.

A second necessary quality is "status." The Government's decision this summer to remove the colleges from the control of the local education authorities, giving them independence on university lines and an improved salary scale, and raising the final Diploma of Technology to degree status, has gone far to put the new colleges on the map and lift the morale of those who teach in them. But the crowning gesture—full university status, with B. Tech. as the target of the course and a Prof. Tech. in charge—could still make a great difference.

STATUS, after all, is essential if a third factor for success—high standards—is to be attained. It is true that only educational achievement can establish an enduring reputation. But the reputation of the middle and lower rank teachers in the CATs is already good. The more successful CATs—like Bristol—are already beginning to attract boys of quality from the grammar schools and local public schools. University teachers are beginning to be drawn by the chance to get away from the ivory tower. The newness and freedom the colleges enjoy permit experiment in fields where the universities have failed to move. As in the *Technische Hochschule*, the engineering course ends with a Project, in which each student undertakes an enterprise in design. The beginnings of an attempt are being made to introduce aesthetics into the engineering training, and the head of the faculty at Bristol speaks of the *Bauhaus* with a glint in his eye. Vices engrained in British industry, like the divorce between engineering design and "styling," are being tackled at the root.

Failure, however, can be cumulative, too. Where industry has not been properly interested in a college and the inspiration for social adventure is absent, attempts tend to be made to ape the universities, with poor results. Staff, like perhaps some students, tend to be overworked. The CAT can remain a glorified Tech, neither flesh nor fowl. Donations from industry (at Bristol and elsewhere) are already enabling the CATs to start the research work envisaged in the White Paper. But though the danger of sacrificing teaching to research may one day afflict them as it does the universities, at the moment the essential post-graduate work still has far to go. The CATs are a breakthrough in British education; but there may be breakdowns too.

Over-Housed?

COULD some of the six million new houses that Dr Hill seems to think Britain might need in the next twenty years take on the shape of white elephants? According to a twenty-year look at housing needs in the current issue of the National Institute's *Economic Review*, the total population in England and Wales is likely to increase just as rapidly as in the past; but not so the number of households. Heads of households are mostly married men or unmarried people over 40 and these groups in the population are expected to increase in the next twenty years at about a quarter of the rate of the last fifty years. Making rather more sophisticated calculations to allow, on the one hand, for the younger single people who set up house on their own and, on the other hand, for the sharing of accommodation by older people, the most reasonable

assumption of the situation then and now seems to be:

HOUSEHOLDS AND HOUSES (millions; England and Wales)			
	April, 1961	1980	
Number of private households...	14.7	16.9	
Less those sharing	-0.4	-0.5	
Occupied dwellings	14.3	16.4	
Vacant dwellings	+0.3	+0.7	
Total number of dwellings	14.6	17.1	

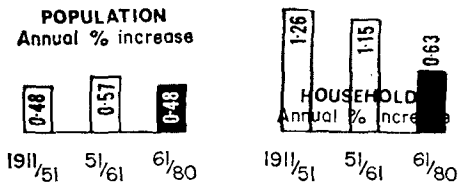
These projections allow for a net immigration of 300,000 families in the next twenty years and for a bigger margin of vacant dwellings to deal with greater mobility, second-home ownership and excess houses in unfashionable areas. The estimates could be too cautious: if all unmarrieds over 40 chose to live in separate

homes, another two million dwellings would be needed, and if all unmarrieds between the ages of 25 and 39 did likewise this would entail a further million dwellings. But these are extreme and unrealistic assumptions; what the National Institute considers maximum demand would add less than half a million to the total already quoted.

Each year some 260-270,000 homes are being built in England and Wales and some 60-70,000 houses are being demolished. The stock is rising, therefore, by around 200,000 a year. But the estimated demand (as given in the table) over the next twenty years is for about 120,000 a year. In short, the present pattern of housebuilding, according to the National Institute, would provide getting on for double the requirements in the next twenty years. Whether or not the present building rate should continue, therefore, must depend on demolition policy.

That Britain requires new housing standards is beyond dispute. About a quarter of the houses existing today in

England and Wales were built, it is believed, before 1880, and even on the fairly generous belief that a house should last a hundred years, these should all have disappeared by 1980. The demolition rate to achieve this would be nearly 200,000 a year, which would mean pushing up the present annual rate of housebuilding to rather more than 300,000 a year. Even so, according to the National Institute, "the housing stock in England and Wales might still be one of the oldest in western countries, apart from France." More ambitious planners will argue, therefore, that this programme should be speeded up.



BUT it is at this stage that planning from the aesthetic and health point of view comes slap up against the hard economic facts. According to the National Institute's most optimistic assumption about the growing affluence of the British society, it is at most the richest one-third of households who are likely to be able to afford a new house out of income in the next twenty years; certainly most of the people now living in pre-1880 houses would be unable to do so. Ideally they are moved from their Victorian blocks in the inner rings of provincial cities to slightly better, but still old, houses in the outer suburbs, while the comparatively wealthy are attracted back to the centre to the new houses which are additionally expensive because of the cost of demolition. But an orderly reshuffle of the population, moving step by step up the housing scale, is easier said than done. Reluctantly, the National Institute concludes that there will still be a need for housing subsidies in 1980. Or perhaps empty houses?

Tories Up-Staged

FOR followers of the serial melodrama, "Nottingham's Theatre" (Home Report, May 20th, November 4th), these are the latest postures adopted by the *dramatis personae*:

The attempt by the wicked uncle Tory to give his orphan ward Civic Theatre in marriage to the Emperor Moss has now failed, Moss having found the absorption of the uncle's debts weighing rather heavier in the scales than the orphan, with whose charms he was not, in any case, much taken. Tory has expressed his pained surprise; and Lab, the profligate uncle with the heart of gold, hugs himself in malicious glee at his brother's discomfiture. Meanwhile the young suitor, Theatre Trust, struggles to beg or borrow a fortune large enough to release the orphan from her guardian. It seems that Tory will have to pay for the orphan's upbringing; but Lab may one day regain the guardianship he lost for his profligacy; and where it all will end Melpomene knows.

Colds in Comfort

BETWEEN twenty and thirty volunteers assembled last Tuesday at Harvard Hospital, on the outskirts of Salisbury, for the 356th trial organised by the Common Cold Research Unit.

The unit was set up by the Medical Research Council and the Ministry of Health as long ago as 1946. It operated from the start with human volunteers, for the good reason that it has never proved possible to give the common cold to any other animal except the chimpanzee, and chimpanzees are expensive and less tractable than most humans. The immediate aims have been to grow the cold virus and develop a laboratory technique to recognise it; until such a technique is perfected the only test for the virus is to give it to a sufficiently large number of humans and see if they get colds. The unit has also been conducting a long-term study of the common cold and its habits.

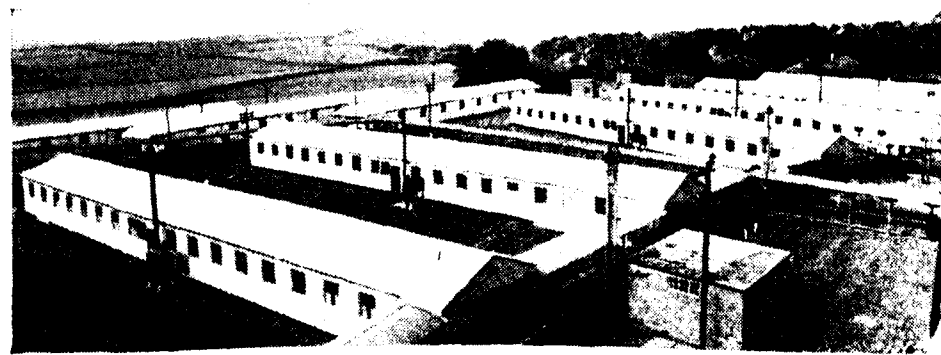
There has been some success on all fronts. Cold virus has been grown, and laboratory recognition is possible; but one of the earlier discoveries was that there was more than one virus involved. It would be possible now to produce a vaccine that would protect against the one virus strain, but it would be of little use when the patient is likely to meet as he leaves the surgery any one of a number of other strains. It is believed that most colds are caused by a virus that has so far proved impossible to cultivate; more work—and more volunteers—are needed before it will be possible to produce a multivalent vaccine. But the unit is confident that land is in sight.

In the meantime there has been some charting of the deep waters; much has been learned of the behaviour of the common cold, and some cherished beliefs have taken a nasty knock. It has proved impossible to give anyone a cold by making him cold and wet. The presence or absence of tonsils or adenoids seems to have nothing to do with susceptibility. The virus finds survival difficult on a dry handkerchief. The virus has been found in volunteers within 24 hours of inocula-

tion, and as long as 24 hours before the appearance of the first symptoms: staying home when you have a cold may save some but won't save all your colleagues. There is a close connection between the incidence of colds and the difference between outdoor and indoor humidity; colds flourish in the winter when indoor air is drier than outside, and the dryness indoors rather than the damp outside appears to be the villain of the piece.

WHAT do volunteers experience at Harvard? In the first place, they are not given damp clothes and draughts. After four days to ensure that they have not brought colds with them, they are given cold virus (or some of them are; the rest, as controls, are given water, but they do not know which are which). Well over half of them will probably fail to catch colds; and the colds that do develop will almost certainly be mild ones—in conditions of isolation there seems to be considerably less incidence of the secondary symptoms (catarrh, sore throat, sinusitis, coughs) which are the most unpleasant part of most colds.

The isolation, in groups of two or three, important experimentally, is for many the most enjoyable part of a stay at Harvard. Novels can be written, dressmaking done, examinations prepared or reading caught up with in a retreat-like peace not easily secured elsewhere. Three hot meals a day, about two-star standard, are delivered in vacuum containers, with a pint of beer, cider or orange and the newspaper of one's choice; return fare up to £3 15s. is paid, and 3s. a day pocket money is credited, for collection on emergence from quarantine. Walking is permitted over the downs, on parole: if the volunteer comes within 30 feet of anyone else he must put his handkerchief over nose and mouth.



But sometimes out on parole

YOUR COMPANY REPORT CAN REACH 2,500,000 POTENTIAL INVESTORS THROUGH THE CITY PAGE OF THE DAILY MAIL

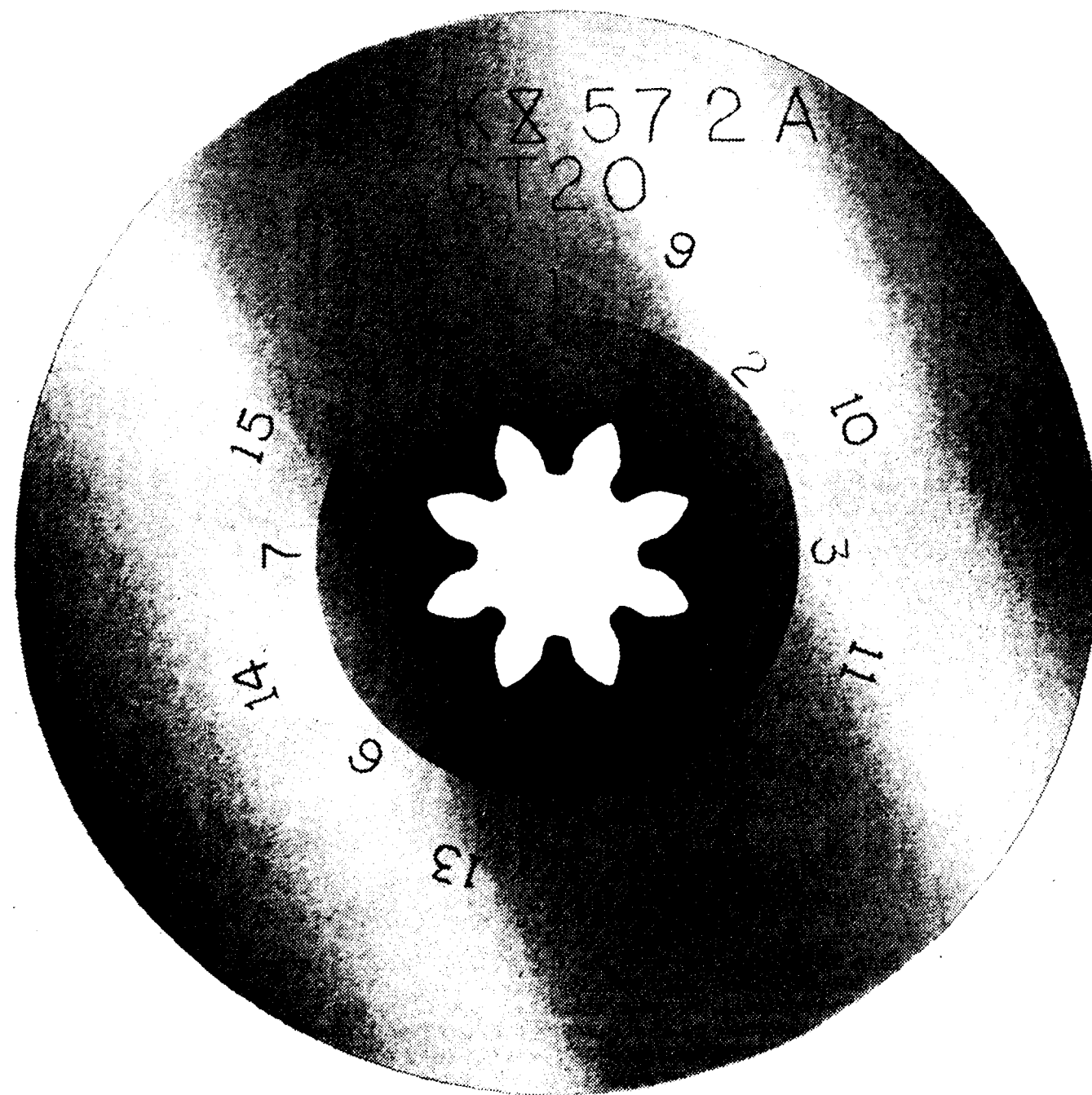
† Latest I.P.A. figures (July 1960/June 1961) show an increase to 2,778,000

More than 2½ million readers of the Daily Mail aged 25 and over are to be found in the important ABC, social groups* (I.P.A. National Readership Surveys, Jan-Dec, 1960). To reach this large body of investors, potential investors—and customers!—with your annual company report, please contact the Financial Advertisement Manager, Daily Mail, Northcliffe House, London, E.C.4.

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LETTERS

Capital Gains

SIR—Since Professor Hicks mentions my name in connection with the current discussion on the taxation of capital gains, may I comment on his letter published in your issue of November 18th?

In the first place, as you stated in your article of November 11th, my proposal and that of my two colleagues of the minority of the Royal Commission was that capital gains should be subject to income tax but *not* to surtax. Since we never suggested that capital gains should be subject to surtax the question of raising the surtax limit "so that the capital gains that were liable to surtax became more circumscribed" never arose and was not considered. Besides, we recommended that no distinction should be drawn between short-term and long-term gains. We agreed with the view of the Board of Inland Revenue that "looking at the matter purely as one of taxable capacity there may seem little justification for distinguishing between two gains of equal amount simply because in one case the asset was held for a longer period than the other." We concluded that "any such distinction [between short- and long-term gains] is bound to be arbitrary and an invitation to tax avoidance."

Professor Hicks suggests that a tax on capital gains on these lines would have a catastrophic effect on equity prices, for without the prospect of tax-free capital gains "who would buy shares with a yield of 2½ per cent when it was possible to get 4 per cent on deposit at a bank?" This ignores that the low yield on certain equities is primarily a reflection of the expectation of a rising dividend income, which is already subject to income tax (and also to surtax). It is true that the expectation of capital gains is one of the inducements for holding growth stocks, and since this element is at present free of tax, one might expect some downward revision in the prices of low yielding growth stocks relatively to the yield of other stocks. But to suggest that a tax on capital gains would "quickly remove" the present "distortion" between equity yields and interest rates is contrary to both reason and experience. In the United States (where short-term capital gains are treated as taxable income and long-term capital gains are taxed at 25 per cent) the "distortion" represented by the reverse yield gap between equity and bond yields is even greater, both absolutely and proportionately, than in this country. (In the UK the yield of *Financial Times* industrials is 5.17 per cent, as against the Consols yield of 6.37 per cent; in the US the yield of Standard and Poor's industrials is 2.77 per cent, as against the long-term Government bond yield of 4.02 per cent.)

Professor Hicks's main contention is that

the taxation of capital gains, through its effect on equity prices, would cause a "most severe deflationary shock"—a "violent deflation" which goes far beyond the scope of any "anti-inflationary measures" that can reasonably be contemplated. This is in strange contrast with the conclusion of the Report of the Majority of the Royal Commission (of which Professor Hicks was one of the signatories) according to which a capital gains tax would be most ineffective as an anti-inflationary measure. According to the report, it can be assumed that "on the whole, capital gains will be saved" which leads them to the conclusion that "it is a general principle that a tax which falls upon savings does not contribute to the control of inflation" (para. 106).

Between 1955 and 1961 Professor Hicks has clearly changed his views. But even if, for the sake of argument, one were to agree with the Hicks 1961 view, there are surely plenty of ways—e.g. suitable reductions in taxation or credit policy—by means of which any undue deflationary effect could be effectively compensated, with advantage to the balance of payments and to economic growth.—Yours faithfully,

NICHOLAS KALDOR

King's College, Cambridge

Canada

SIR—After two weeks of reading about market monsters, David and Goliath, Mickey Spillane, psychological warfare, gamesmanship, country bumpkins, wash-tubs, and research and design teams, I am grateful to your Ottawa Correspondent for his two final, more lucid paragraphs. Unfortunately, he implies that the recent protests by the Canadian government against Britain's joining the common market represent the views of the Canadian people. Most Canadians, however, recognise that a possible short-run loss in exports to the United Kingdom will be compensated by the long-run increase in demand for Canadian products in an expanded common market. The Canadian pulp and paper industry, to cite only one example, has stated emphatically that it favours Britain's joining.—Yours faithfully,

Balliol College, Oxford DAVID STAGER

America Discovers Europe

SIR—In a leading article which appeared in your issue of November 11th you stated: "It has been widely missed on this side of the Atlantic that President Kennedy has been trying, in the past six months, to introduce a revolution, not so much in the

quantity of western aid as in the philosophy behind it."

European parliamentarians have, in fact, reacted quickly and positively to President Kennedy's aid message of March 22nd, and a considerable amount of thought and work has been brought to bear on this question within the Council of Europe. A sub-committee of the political committee has met several times to discuss the problems involved in the development of a new approach to western aid and I myself, as rapporteur of the political committee, had the honour of presenting a report to the Assembly on this subject at Strasbourg in September. At this session there was a lively and informed debate, during which Mr Thorkil Kristensen, Secretary-General of OECD, made an outstanding speech. Recommendation 288, which was adopted unanimously by the Assembly, urged the Committee of Ministers to: express its agreement with the main lines of President Kennedy's plan, which is in accord with the policy previously advocated in the Council of Europe; increase multilateral aid to the maximum and, within two years, to at least 15 per cent of the total amount of bilateral aid; and propose in the Council of OECD the opening of negotiations with the object of stabilising raw materials markets. Further, the Committee of Ministers was asked to invite the governments of the member states of the European Economic Community and of the United Kingdom to follow, within an enlarged EEC, a liberal policy which would not impede the normal industrial expansion of those newly developing countries which are not associated with the EEC.

In Recommendation 288 the Assembly emphasised that "assistance should be on the basis of plans proposed by governments representative of their peoples and willing to play their part by taking necessary measures of governmental, social and fiscal reform."—Yours faithfully,

Brussels R. DE LA VALLÉE POUSSIN
Senator

Labour Statistics

SIR—The article in your issue of last week on "Counting the Jobless," from your special correspondent in the United States, appears to suggest that the official figure of the number of unemployed persons in Britain registered at employment exchanges and Youth Employment Offices excludes people who are not qualified for benefits. This is not so. As page 429 of the October issue of the Ministry of Labour Gazette shows, the figure of 305,000 unemployed persons on the registers at August 14, 1961, included as many as 110,000 who were receiving neither unemployment benefit nor national assistance. Of the total of 35,000 married women on the register half were in fact receiving no payment.—Yours faithfully,

R. F. FOWLER
Director of Statistics,
Ministry of Labour

London, SW1

BOOKS

Not Quite the Right Footsteps

Neville Chamberlain

By Iain Macleod.

Muller. 319 pages. 30s.

"I NEVER met, indeed I do not think I ever saw, Neville Chamberlain," says Mr Macleod in the first sentence of this very readable, no doubt potentially best-selling but really rather lightweight book. But it is clear why the subject has a fascination for the author. There are bizarre parallels between the careers of the last Conservative Prime Minister but two and the present Conservative Leader of the House. Chamberlain, although everybody forgets it now, was far out on the radical left of the Conservative party in the 1920s. He was a pioneering social reformer as Minister of Health; an immensely courageous party politician (look at his Local Government Act of 1929); an ardent would-be bridge-builder between the Tories and the trade unions; a man as unlike his brother Austen as Michael Foot is



to Dingle ("He thinks me wild," wrote Neville of Austen sadly on entering the House of Commons in 1919, "and I think him unprogressive and prejudiced"). If the Conservatives had won the election of 1929, Chamberlain would have become Colonial Secretary, and been a very liberal one; because they lost it, he went to take charge of Conservative Central Office instead.

Up to this stage, the analogies between the careers of subject and author are intriguing and apt; from then on, they become hypothetical and quite extraordinarily embarrassing. For it was while he was at Conservative Central Office that it became gradually clearer that Chamberlain was Baldwin's most likely successor as Conservative leader, that he was the Tories' indispensable Mr Fix-it. He returned from Central Office to become the Tories' shadow Chancellor at a crisis stage in April of 1931,

and thereafter to fill his three main roles in the governments of the 1930s: as real Chancellor, as unofficial acting Prime Minister during the years of Baldwin's decline, and finally as Prime Minister in name as well as fact. And in the first and third of these roles, although Mr Macleod cannot bring himself to say so, Neville Chamberlain was an utter disaster.

Mr Macleod is far too kind about Chamberlain's failure to depart from so-called "orthodox finance" into even the first vestiges of the new Keynesianism during his Chancellorship in the bitter unemployment years of 1932-37. This was a symptom of one of Chamberlain's three great failings as a major statesman, and the only one of the three that was really right wing; namely, Chamberlain's resistance in later life to all new ideas that called for any changes in his habits of sentiment and thought. He resisted Keynesianism as he distrusted all other new-fangled gimmicks, such as fountain pens, comfortable modern clothes, President Roosevelt (quite disastrously), and abstract art.

It is easier for the author to defend his hero in the role of Prime Minister Designate after about 1935, for Chamberlain was in fact more prompt than any other prominent figure in Baldwin's cabinet to spot the need for rearmament; it is a fair point that during the 1935 general election that returned the "appeasement" government of 1938, Labour was attacking Chamberlain as a wicked warmonger (Herbert Morrison said that Chamberlain "would spend on the means of death, but not on the means of life, and that was the sort of fellow he looked too"). Yet here again the fury of Labour's particular attack upon him was stoked up by the second of Chamberlain's major failings, namely his intellectual arrogance towards the Opposition. Chamberlain never suffered fools gladly, at a time when there was admittedly a lot of foolishness on the Opposition side to suffer (so that Baldwin once begged him to remember that when speaking to the House of Commons he was "addressing a meeting of gentlemen" and not to give the impression of treating "the Labour party as dirt"). But it was the third of Chamberlain's failings that in the end cost the country most dear, in his catastrophic final period as Prime Minister and man of Munich.

Here again it was not a right wing failing, but more typically an idealistic left-winger's weakness. The fact is that, for all his skill as a committee chairman and as a draftsman of administrative reforms, the man was a fatuous wishful thinker. This trait ran right through his career from his

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first disastrous business venture trying to grow sisal in the Bahamas (Chamberlain's memos from there, as crops and markets failed but as he still plunged good money after bad, read just like Mr John Strachey's speeches during the groundnuts fiasco); through the pathetic post-Munich adumbration of "peace for our time"; up to and beyond the outbreak of war. "I have a hunch," he actually wrote to his sister in November of 1939, "that the war will be over before the spring." This was one of the most revealing sentences of his whole career.

It is inevitable that this book will be searched, perhaps rather naughtily, for possible revelations about the author as well as the subject. There is a highland imp that keeps on peeking out of Mr Macleod's writing; Mr Selwyn Lloyd and his capital gains taxers should read his—and Keynes's—account of the National Defence Contribution (a graduated tax on the growth of business profits) which Chamberlain tried to introduce for emollient political reasons in 1937. In another passage Mr Macleod criticises Chamberlain's tactics immediately after his appointment in 1916 as Director of National Service:

He should have been banging his fist on the table at 10 Downing Street. And he should have taken his resignation with him. A Minister . . . is never so strong again as in his first few weeks of office. His resignation, which in a few short months may have become just a "little local difficulty," is not to be thought of when he has just been selected for a new post. . . .

Well now, one wonders, looking back on Mr Macleod's own remarkably successful ministerial career . . . ?

Sad Tale from Vienna

Dollfuss

By Gordon Brook-Shepherd.

Macmillan. 313 pages. 25s.

WHEN Mr Brook-Shepherd's "Austrian Odyssey" came out in 1957, Austrian press comment was that a more just, as well as accurate, account of the history of Austria since 1866 could hardly be said to exist. The former Vienna correspondent of the *Daily Telegraph* has now written a biography of Engelbert Dollfuss that is mainly an expanded account of the events leading up to the Nazi putsch in July 1934, which necessarily received more cursory treatment in the earlier book. And on e again: no one could be fairer than this without becoming bogged down among theories on the nature of treason and the virtues of parliamentary democracy. To emphasise justice in such a context is not quite the same as to congratulate a Japanese on his courage. The ideological conflicts that rent Central Europe between the wars were, and to some extent still are, partly obscured by prejudice arising from lack of knowledge, émigré propaganda, and a tendency to judge other countries according to

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how far their institutions approximate to our own.

As Chancellor, Dollfuss was confronted by a Parliament which, until it took its own life by oversight, was hardly more than an instrument for blocking legislation. The Austro-Marxists took their doctrine and their ammunition from abroad; those moderate socialists who survived the Nazi concentration camps were not to take charge of the Socialist party until after the second world war. The right-wing Heimwehr, again, was controlled by extremists; both sides were unanimous in one thing only, in their denial of the validity of the Austrian state. Mr Brook-Shepherd displays the ingredients of the mounting tragedy against which Dollfuss wrestled until his death: national bankruptcy, inertia, misplaced energy, mental confusion, active and passive treachery, and, above all, a general lack of any real patriotic feeling. Dollfuss did not kill the Austrian Parliament, but when it died he put his small foot on its neck and buried it with alacrity (the author's rather pictorial style is catching); he gave the order to fire on the workers' apartment blocks. These events have been closely studied in all their gravity and in the light of every scrap of evidence that has survived. Dollfuss mastered one of the disastrous ingredients by restoring Austria's economy. The author believes that he also gave the Austrians some sense of national identity—"a patriotism of sorts." The truth or otherwise of this statement—the author calls it "one of the political wonders of the 20th century"—is hard to assess. Dollfuss made a beginning, but only Hitler could kill Pan-Germanism, just as only Stalin could kill old-style Austro-Marxism.

There can seldom have been a more lovable statesman than Dollfuss. The story of his death, untended and in agony of spirit, has often been told, but the entrancing description, new to the reviewer, of this gallant little figure trying to master the breast-stroke, so as not to cut an unnecessarily ridiculous figure while splashing in the Adriatic with Mussolini, is somehow unbearably pathetic.

Garden of Eden?

The Forest People

By Colin M. Turnbull.

Chatto & Windus. 250 pages. 25s.

WHAT was life really like in the Garden of Eden? Mr van der Post, who is no lover of the world that has since emerged beyond the magic gates, gave an enthusiastic answer in his recent book about Kalahari Bushman communities; but that particular answer, just because of van der Postian literary *Weltschmerz*, was not quite convincing. Here is a more persuasive report. Mr Colin Turnbull, an Englishman now in charge of African ethnography at the American Museum of Natural History, lived for about three years with pygmy groups in the great Ituri forest of the north-eastern Congo, learned their language, won their friendship, witnessed many of their times of festival and days of woe, and has

BOOKS

here written a very useful and often charming book about his experiences.

It seems evident from this—allowing for differences of habitat—that life was more than usually pleasant in the Garden of Eden: "a wonderful thing," according to Mr Turnbull, who is no metaphysician and seems to like the modern world well enough, "full of joy and happiness and free from care." Yet aside from any evidence that the pygmies of today may or may not be able to throw on the Old Stone Age (and these pygmies, even today, scarcely cultivate anything in the line of food), this book is valuable for its new material about these extremely interesting but little studied communities. It is plain, what many of us suspected, that the pygmies have been as much misunderstood as their negro neighbours. They are in truth neither nasty, brutish nor especially short-lived. Nor are they "primitive."

Some thirty years ago the learned Dr Schebesta, the dean of pygmy studies, published a little paper entitled—provocatively for those days—"Les Pygmées: sont-ils des primitifs?" Schebesta's paper left the question open while implying that the answer was in the negative. Mr Turnbull is more forthright. He quickly became convinced that "what little had been written about the pygmies to date gave just about as false a picture as did the thirteenth-century cartographer who painted them as one-legged troglodytes." If this writer is to be believed—and he seems both intelligent and sincere—the pygmies are primitive in nothing but the simplicity of their material possessions.

What is especially good about this book, however, is that it gets right away from the metaphysical meanderings of amateur anthropologists. Mr Turnbull likes the pygmies very much, but he never presents them in the "trailing clouds of glory" metaphor of some other adventurers into the lesser known aspects of humanity in Africa. On the contrary, the steady and persistent characteristic of these cheerfully extraverted forest dwellers, as reported here, is their sheer common sense, their dislike of religious hysteria, their rejection of the power of magic, and their capacity to understand the everyday implications of rational cause and effect. They play along with their gangling Negro neighbours—who quite unjustifiably claim to "own" them—but they escape into their forests whenever the sophistication and general rattle-tattle of village life gets too much for them. This, it appears, is pretty often.

Full marks to Mr Turnbull. When is he going to get back into the field again?

Founding Father

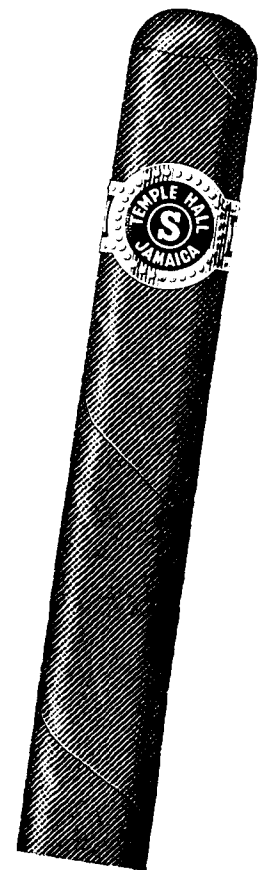
Sky Fever

By Geoffrey de Havilland.

Hamish Hamilton. 240 pages. 25s.

SIR GEOFFREY DE HAVILLAND'S autobiography, written in his eighties, is an old man's recollections in tranquillity: gentle, mellowed, good mannered, some-

whatever
the
occasion
choose



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times touching and occasionally wryly self-mocking—all the things, in short, that the aircraft industry is not. It reveals a great deal about the man himself, almost nothing about the turbulent background to the industry that he helped to found and in which he worked for fifty years. Yet these omissions do not make his book negligible, rather the contrary, for the aircraft industry has been shaped by a few men who for many years held exclusive control of its most important companies and Geoffrey de Havilland was one of these—not perhaps a genius but one of this country's great aircraft designers and perhaps its greatest designer of light machines. For many years he personally designed and personally tested every aircraft that his company produced.

The de Havilland company's prime endured as long as Sir Geoffrey was still its driving force. Then it produced two of the greatest aircraft the world has seen, the apparently immortal Moth family, some of them are still flying more than thirty-five years later and the wartime Mosquito bomber, which was entirely the company's own (and initially unpopular) idea. Of the Puss Moth built in 1929, Sir Geoffrey writes nostalgically that it "could take three people 20 miles on a gallon of petrol at 100 miles an hour, a performance that no motor car has ever achieved," a claim that gives food for thought.

Although the company continued to grow, it never quite touched these heights again. Its Vampire jet fighter did indeed become standard equipment for a staggering number of air forces. The Comet airliner was a wonderful stroke of enterprise, but one doubts, even if tragedy had not overtaken it, whether it would quite have made the grade among such immortals as the DC 3, the Viscount, the Canberra bomber or the Boeing 707.

Because the man was for so long the company, his strength its strength and his weakness its weakness, it is important to establish what manner of man he was. Contemporaries have described him as proud; Sir Geoffrey admits to shyness with strangers and shows great loyalty to old loves, whether to his grandfather's home during a none-too-happy childhood, to his Westerns "of which I have a small and precious collection all of which I know almost by heart" or to old friends who grew up in the company with him. His approach to designing was empirical, to put it mildly; he loved mucking about with machines (and he loved butterflies) but "theoretical work was less to my taste, I cannot remember ever passing an exam." In turn he looked for the same qualities in other men. He defines a good aircraft designer as a man "with much of the creative artist in him backed up by a lot of practical engineering experience. Neither deep knowledge of mathematics nor great theoretical knowledge is necessary." In that one sentence lies the key to all the glories and the explanation of all the tragedies of Geoffrey de Havilland and the aircraft that have borne his name.

Slum Clearance in Lagos

Family and Social Change in an African City

By Peter Marris.

Routledge. 196 pages. 25s.

LAGOS has an unenviable reputation for the slums forming the core beneath a thin rind of modern buildings; these slums presented the first Nigerian ministers with a test of peculiar difficulty. Any scheme to eliminate them bristled with economic, legal, administrative and social problems, and, in the event, with political problems as well, bedevilled with emotional crises both genuine and fomented. It says much for the strength of purpose of the minister responsible that clearance was ever started.

Mr Marris's book lucidly picks out most of these complications, and sets them vividly against a background study of a social structure increasingly out of harmony with political and economic trends. His book's central point is that the clearance scheme failed in one major respect because kind hearts are really worth more than all mod. con. and, as ardent town-planners have found elsewhere, the best of re-housing schemes will diminish human happiness if it disrupts social structure. The author also demonstrates conclusively how much greater is the disruption in Nigerian condition where society is intricately permeated by individual small-scale trading enterprise, often carried on by married women, which was stifled in a new environment.

One suspects, however, that the other major defect—the failure of the slum owners to take up or develop their plots in the cleared areas—arose from the classic fault of trying to make water run up hill. If, instead of trying to keep expatriate commercial enterprise out of the cleared areas, the administration had done everything to attract it and demand the highest possible price for commercially valuable land, the whole financial picture would have been transformed, with funds fully sufficient to minimise social hardship and ensure that cleared areas were promptly developed. This is doubtless wishful thinking, politically, and, in fairness, it should have been made clear that the scheme described was only the first step in a long-term plan, and that all these lessons can be applied in future phases of the clearance operation.

A particularly interesting observation is that a very significant minority welcomed rather than lamented their new-found freedom from what they felt as the irritation of excessive intimacy with innumerable relatives, with their importunate demands on their better-off brethren. This minority comprised the young educated, often married, men on their way up the new ladders of social and economic progress. Following this line of thought, Mr Marris draws pointed conclusions about the growing incompatibility between the old social structure and the modern states that are emerging in Africa, and poses what may in the event be the continent's major problem—that of guiding development towards a

new society as stable as the old and at the same time avoiding extremes of class distinction.

This study is a model application of sociological acumen to a complex social and economic problem and should be read by those concerned with housing and allied problems in Africa.

The Means to Leisure

The Anatomy of Work

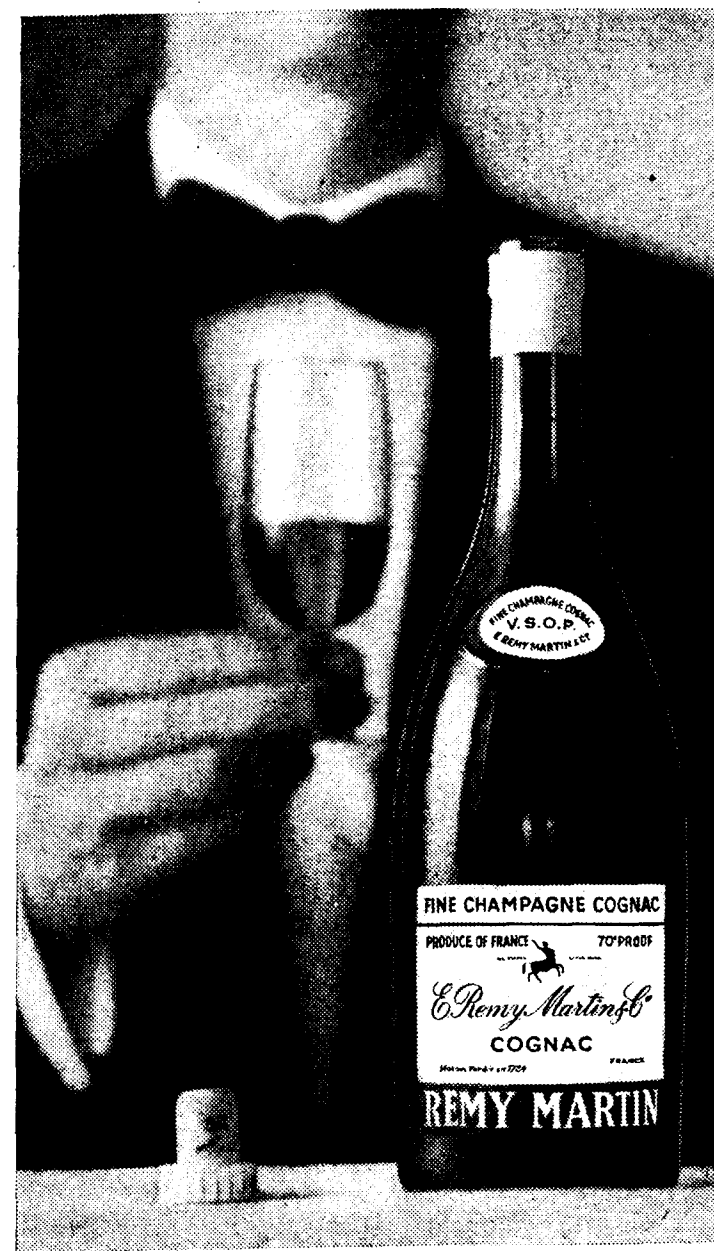
By Georges Friedmann.

Heinemann. 226 pages. 25s.

IN the early years of scientific management, it was presumed that the greater the breakdown of jobs into their component parts, the greater the efficiency. The trouble with this, however, was that men came to be treated as mere extensions of their machines. Today industrial theorists have come to realise that beyond a point the simplification of work creates so many problems of boredom and dissatisfaction among workers that diminishing returns may set in. As a result, in many firms the pendulum has begun to swing back a little, and some tasks are being deliberately re-combined to make their execution more complex.

In "The Anatomy of Work" M. Friedmann, a French sociologist, provides illustrations from many mass-production firms in various countries to show what can be done to give unskilled workers a greater sense of being involved in their work. At the same time the author is aware that there can be no turning the clock back to the days of craftsmanship, and the most important section of the book deals penetratingly with the social implications of this. As M. Friedmann points out, for large sectors of the population work today is but a means of buying better and more leisure. On the face of it, this seems entirely satisfactory, and certainly the British trade unions talk as if it were. However, the question that M. Friedmann suggests we ask ourselves is what will happen to a society in which work itself ceases to be a primary form of satisfaction, and is replaced by the problem of how best to enjoy oneself? The chief danger that M. Friedmann notes in the present situation is that as men are asked to be increasingly passive in their working hours, they will become altogether passive. A reflection of this can be seen in the enormous growth of prefabricated leisure pursuits, and M. Friedmann even argues that the Englishman's passion for his football pools—essentially a game of chance involving little or no skill—is part of the same passivity. The problem is certainly an important one and the author can quote Marx—and even more Freud—in support of his claim that a man who is asked to contribute nothing in his work is stunted in his whole personal relationship with society.

As for a solution, M. Friedmann can talk only of better education, a more responsible use of the mass media and a greater understanding of individual needs in the factory. Perhaps the best comfort we can draw is



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Mr. B. exports overcoats to the U.S.A. To make sure they arrived uncreased, he used to pack them in heavy wooden boxes. But a word with the Thames Board experts soon saved him a packet in freight charges. Now his overcoats arrive wrinkle-free in light-weight double-walled "Fiberite" corrugated cases, ten coats to a case.

Mr. S., a maker of metal office chairs, also trades for dollars. He used to use wooden crates. But the Thames Board experts designed him a "Fiberite" case that not only weighed less—but also took up less space, gave better presentation and was easier to handle. The secret? They just detached the backs and legs from the chairs.

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that the actual number of unskilled jobs is declining fairly rapidly, while the number of people in service occupations, which offer more opportunities of satisfaction, is increasing. However, even if the author cannot get round the truth that men cannot live by leisure alone, he presents his facts so clearly that this is an interesting and disturbing book. While Mr Khrushchev promises the Soviet people more leisure and the American unions talk of a thirty hour week, M. Friedmann may be perfectly right that there is already a need for better education, merely to prepare for the hours of free time that lie ahead.

Selling Advertising

Reality in Advertising

By Rosser Reeves.

MacGibbon and Kee. 147 pages. 15s.

THIS is the sort of book that might be bought by the hundred by the advertising agency of which Mr Reeves is the chairman and given away to their clients as an indication of the vigour and skill to be found at the head of that agency. According to the dust-jacket it has in fact been bought by the hundred by one of Mr Reeves's better known rivals on Madison Avenue to give away to his staff and clients as "A great polemic." This indicates that, although Mr Reeves is one of the most intelligent and successful of "ideas men" in the American advertising business, it is possible to disagree with him. This may be true, at a rather refined height of technical argument about copy-writing, but most of the book is straightforward to the point of banality, so that polemics hardly seem to be possible—only a rather wan and exhausted assent.

This is not to say that the book will not be useful. On the contrary, it will probably be very useful indeed to working advertising men, who will get here in a nicely got up nutshell much of the experience of one of the acknowledged masters of their craft. Non-advertising men who are willing to make the effort (it is not much of an effort since the book runs smoothly enough) to read it may also come to admire the verve with which Mr Reeves expresses himself. That being so, it will not much matter that Chapter 1 (two pages on "A Common Fallacy") could be summed up in the single sentence "advertising is only one of the possible causes of sales" and that something which Mr Reeves calls "Vampire Video" and about which he goes on for quite a number of pages could be summed up in the two words "avoid irrelevance."

Paperback Selection

Since the new university year got into full swing, there have been ever more paperback issues of new and standard works. Macmillan have produced a new series—appropriately called "Papermacs"—that, apart from the binding, is indistinguishable from the old editions; it is accordingly expensive by comparison with other English paperback series, though for each title

the saving on the cloth bound edition is considerable—in most cases about 50 per cent. Below is a guide to some of the paperbacks received by this journal in recent weeks.

Biography :—

THE LIFE OF LADY MARY WORTLEY MONTAGU. By R. Halsband. 326 pages. 8s. 6d. STALIN: A Political Biography. By Isaac Deutscher. 618 pages. 10s. 6d. NEHRU: A Political Biography. By Michael Brecher. 276 pages. 7s. 6d. Oxford Paperbacks.

Economics :—

THE SOURCES OF INVENTION. By J. Jewkes, D. Sawers and R. Stillerman. 440 pages. 18s. BUSINESS ENTERPRISE: Its Growth and Organisation. By R. S. Edwards and H. Townsend. 624 pages. 30s. Macmillan Papermacs.

WHAT PRICE ECONOMIC GROWTH? Edited by K. Knorr and W. J. Baumol. Prentice-Hall. 184 pages. 15s.

THE STRATEGY OF ECONOMIC DEVELOPMENT. By Albert O. Hirschman. 220 pages. GOLD AND THE DOLLAR CRISIS. By Robert Triffin. 195 pages. SWEDEN: The Middle Way. By Marquis W. Childs. 220 pages. Yale University Press. 10s. 6d. each.

History and Law :—

THE BLACK DEATH. By Johannes Nohl. Allen & Unwin. 159 pages. 6s.

VOICES OF THE INDUSTRIAL REVOLUTION. Edited by J. Bowditch and C. Ramsland. 200 pages. 10s. 6d. THE GATEWAY TO THE MIDDLE AGES. 1. Italy. 2. France and Britain. 3. Monasticism. 219, 152 and 262 pages. 12s. 6d. each. Michigan University Press. London: Cresset Press.

THE STRUCTURE OF POLITICS AT THE ACCESSION OF GEORGE III. By Lewis Namier. 2nd edition. 531 pages. 25s. THE ENGLAND OF ELIZABETH: The Structure of Society. By A. L. Rowse. 562 pages. 18s. A SHORT HISTORY OF THE LABOUR PARTY. By Henry Pelling. 135 pages. 10s. 6d. INTRODUCTION TO THE STUDY OF THE LAW OF THE CONSTITUTION. By A. V. Dicey. 735 pages. 21s. Macmillan Papermacs.

ELIZABETHAN LIFE IN TOWN AND COUNTRY. By M. St. Clare Byrne. 351 pages. 12s. 6d. THE COURSE OF GERMAN HISTORY. By A. J. P. Taylor. 282 pages. 10s. 6d. ENGLISH WAYFARING LIFE IN THE MIDDLE AGES. By J. J. Jusserand. 315 pages. 12s. 6d. BYZANTINE CIVILISATION. By Steven Runciman. 320 pages. 9s. 6d. THE CONGRESS OF VIENNA. By Harold Nicolson. 325 pages. 12s. 6d. Methuen University Paperbacks.

THE ERA OF CHARLEMAGNE. By S. C. Easton and H. Wieruszowski. 191 pages. THE HABSBURG EMPIRE, 1804-1918. By Hans Kohn. 187 pages. CARDINAL DOCUMENTS IN BRITISH HISTORY. By R. L. Schuyler and C. C. Weston. 191 pages. CAVOUR AND THE UNIFICATION OF ITALY. By Massimo Salvadori. 191 pages. D. van Nostrand Anvil Original. 9s. 6d. each.

CONSTITUTIONS AND CONSTITUTIONALISM. (Complete Constitutions of France, West Germany, Russia: major British documents; an original essay on Constitutionalism.) Edited by W. G. Andrews. D. van Nostrand. 192 pages. 11s. 6d.

LAW IN THE MAKING. By C. K. Allen. Oxford Paperbacks. 684 pages. 10s. 6d.

Philosophy and Politics :—

AN IDEALIST VIEW OF LIFE. By Radhakrishnan. 279 pages. 9s. 6d. THE REVOLT OF THE MASSES. By José Ortega y Gasset. 144 pages. 6s. THE RELIGION OF MAN. By Rabindranath Tagore. 128 pages. 6s. CIVILIZATION AND ETHICS. By Albert Schweitzer. 248 pages. 7s. 6d. THE DECAY AND THE RESTORATION OF CIVILIZATION. By Albert Schweitzer. 91 pages. 4s. 6d. Allen & Unwin.

ADVENTURES OF IDEAS. By A. N. Whitehead. Cambridge University Press. 302 pages. 10s. 6d.

PHILOSOPHY OF DEMOCRATIC GOVERNMENT. By Yves R. Simon. Chicago University Press. 324 pages. 15s.

AUGUSTE COMTE AND POSITIVISM. By John Stuart Mill. 200 pages. HOBBS. By Leslie Stephen. 243 pages. Michigan University Press. London: Cresset Press. 12s. 6d. each.

GREEK PHILOSOPHY: Thales to Plato. By John Burnet. 370 pages. 11s. 6d. THE FOUNDATIONS OF EMPIRICAL KNOWLEDGE. By Alfred J. Ayer. 286 pages. 9s. 6d. Macmillan Papermacs.

LIFE AND THOUGHT IN THE GREEK AND ROMAN WORLD. By M. Cary and T. J. Haarhoff. Methuen University Paperbacks. 365 pages. 12s. 6d.

THE IDEA OF HISTORY. By R. G. Collingwood. Oxford Paperbacks. 365 pages. 7s. 6d.

THE POVERTY OF HISTORICISM. By K. R. Popper. Routledge. 176 pages. 6s.

ARMS CONTROL: Issues for the Public. Edited by Louis Henkin. Prentice-Hall. 216 pages. 15s.

Social and Political Science and Psychology :—

THE IMAGE: Knowledge in Life and Society. By Kenneth E. Boulding. 175 pages. 10s. 6d. FRUSTRATION. By N. R. F. Maier. 264 pages. 12s. 6d. Michigan University Press. London: Cresset Press.

SOCIETY: An Introductory Analysis. By R. M. MacIver and C. H. Page. Macmillan Papermacs. 714 pages. 16s.

PRINCIPLES OF SOCIAL AND POLITICAL THEORY. By Ernest Barker. Oxford Paperbacks. 293 pages. 7s. 6d.

PATTERNS OF CULTURE. By Ruth Benedict. 222 pages. 7s. 6d. THE STATESMAN. By Plato. 244 pages. 8s. 6d. Routledge.

KING SOLOMON'S RING. By K. Z. Lorenz. Methuen University Paperbacks. 239 pages. 7s. 6d.

Literature and Literary Criticism :—

PARADISE LOST AND ITS CRITICS. By A. J. A. Waldock. Cambridge University Press. 147 pages. 7s. 6d.

AN INTRODUCTION TO THE GREEK THEATRE. By P. D. Arnott. 256 pages. 10s. 6d. POLITICAL AND COMIC CHARACTERS OF SHAKESPEARE. By John Palmer. 147 pages. 21s. Macmillan Papermacs.

THE WOUND AND THE BOW. By Edmund Wilson. 264 pages. 8s. 6d. THE GROWTH OF THE ENGLISH NOVEL. By Richard Church. 179 pages. 6s. Methuen University Paperbacks.

TROLLOPE: A Commentary. By Michael Sadleir. 435 pages. 8s. 6d. R.U.R. and THE INSECT PLAY. By The Brothers Capek. 177 pages. 7s. 6d. Oxford Paperbacks.

ROMANTIC IMAGE. By Frank Kermode. Routledge. 182 pages. 7s.

Science :—

SCIENCE AND MUSIC. By James Jeans. Cambridge University Press. 268 pages. 12s. 6d.

A DIRECT ENTRY TO ORGANIC CHEMISTRY. By John Read. Methuen University Paperbacks. 281 pages. 8s. 6d.

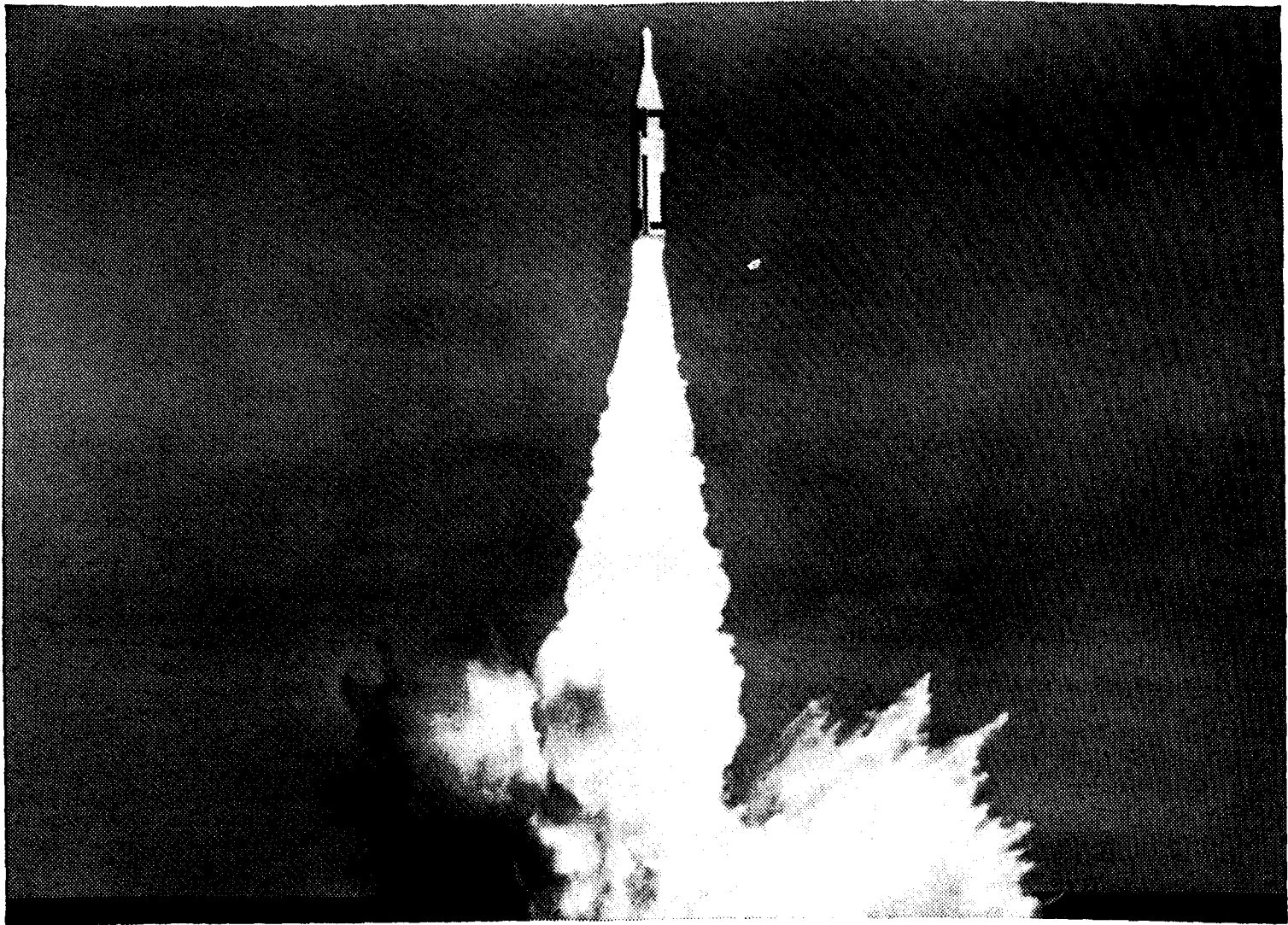
Miscellaneous :—

THE ARCHITECTURE OF HUMANISM. By Geoffrey Scott. 265 pages. 8s. 6d. COMPARATIVE RELIGION. By E. O. James. 334 pages. 10s. 6d. Methuen University Paperbacks.

FRENCH MUSIC: From the death of Berlioz to the death of Fauré. By Martin Cooper. 250 pages. 7s. 6d. NINE DAYAK NIGHTS. By W. R. Geddes. 175 pages. 7s. 6d. ENGLISH ANCESTRY. By A. R. Wagner. 176 pages. 6s. CONVERSION. By A. D. Nock. 321 pages. 7s. 6d. Oxford Paperbacks.

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Shipshape at State

WASHINGTON, DC

THIS week like a good sailor President Kennedy cleared his decks for action. In the Department of State in some places the right men were pulling on the right ropes but were wearing the wrong uniforms, while in others there were just square pegs in round holes. With the concurrence of the Secretary of State, Mr Dean Rusk, a small flying squad of high calibre moved from the White House into the department. Mr Rostow, one of the President's assistants for national security matters, is now the head of the department's Policy Planning Council. Mr Goodwin, another White House assistant, has become Deputy Assistant Secretary of State for Inter-American Affairs and Mr Dutton, yet another presidential assistant, has taken over from Mr Brooks Hays the important and delicate job of "selling" the Department of State's projects to Congress. The department had just come under fire from the Senate subcommittee on national policy machinery, which had laboured for two years and whose chairman, Senator Jackson, criticised the department for failing to assert its leadership across the whole front of foreign policy. Both in his opinion and in that of other critics, the department has allowed the thundering present to obscure the emerging future and has sometimes been bogged down in timid indecision and administrative sluggishness.

The biggest change this week was the freeing of Mr Chester Bowles from the managerial job of Under Secretary of State, to allow him to pay visits to the new and developing countries, with the rank of Ambassador, and to advise the President on their problems. Mr Bowles may have fought against his freedom: he is said to have spent an hour with the President before an announcement could be made that he had accepted the roaming assignment. The last time that Mr Kennedy attempted to disengage Mr Bowles from his position as second in command at the Department of State the two men also spent an hour together, but that time Mr Bowles, who was Mr Kennedy's campaign adviser on foreign policy, emerged still in possession of the title of Under Secretary; then he rightly refused to resign since this would have made it look as if he had been wrong about the attempted

invasion of Cuba and his critics right, instead of the exact opposite. He was, however, noticeably left out of discussions of major decisions on foreign policy, as indeed he had been since he frowned publicly on the Cuban misadventure. Also, he was away from Washington a good deal and, though these absences may not have been entirely of his own choosing, they made it impossible for him to fulfil the proper functions of the Under Secretary, who is supposed to deputise for the Secretary of State when required. Another significant change is that the redoubtable Mr Averell Harriman, currently occupied with Laos, has been appointed Assistant Secretary of State for Far Eastern Affairs in place of Mr McConaughy.

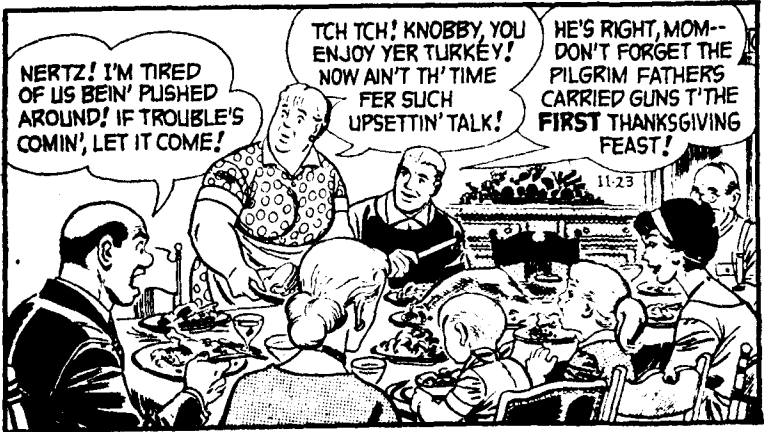
Mr Bowles's successor is Mr George Ball, the Under Secretary for Economic Affairs, who will continue in charge of economic matters and will leave the supervision of daily administration (including some 2,000 incoming and outgoing telegrams), to Mr George McGhee, the new Under Secretary for Political Affairs whom Mr Rostow replaced as the chairman of the department's Policy Planning Council. Mr Ball had in fact been performing Mr Bowles's functions while Mr Bowles expounded foreign policy to Americans abroad and at home. This laid large burdens on Mr Ball's broad back, which Mr Kennedy now needs badly for carrying the ambitious new policy of lowered tariffs and expanded world trade that the President is expected to put to Congress next year.

The new trade policy looks towards the European common market and possibly at opening the road to an eventual Atlantic community. Mr Ball, although oriented towards Europe, is internationally minded and this, with Mr Rostow heading the planning group, ensures that the world will continue to be reviewed as a whole. Nevertheless the President is believed to be fixing his attention increasingly on western Europe and the North Atlantic alliance. At his Wednesday press conference Mr Kennedy spelled this out and indicated that Mr Bowles's new assignment—"an increased opportunity" for him—was devised to ensure that the Administration did not become so concerned with Europe as to ignore those parts of the world where Mr Bowles will now spend most of his time.

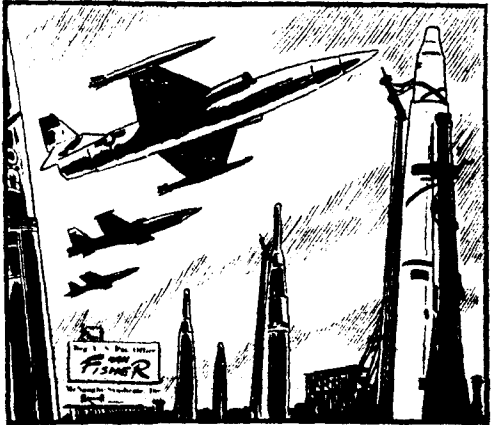
JOE PALOOKA

Day of Thanks

By HAM FISHER



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While the changes that have been made are no doubt intended to screw pegs into holes of the right shape, to focus more sharply the advice that the President receives, they could conceivably concern basic policies as well as prominent personalities, though this has been denied officially. Mr Bowles has seemed to feel that American attention to western Europe may clash with America's anti-colonial role in under-developed lands. He was critical of the rearming of Germany and he once called the North Atlantic Treaty Organisation an uncertain and precariously based military alliance. The Indian Prime Minister shares those views. When Mr Nehru was in Washington his host, Mr Kennedy, appeared to be temperamentally allergic to the consolations of Asian philosophy, but subsequently he saw eye to eye with the German Chancellor on important aspects of European defence and economic strength. The President may think that the time has come to recall the old developed world to redress the imbalance of the under-developed new.

FOR Mr Kennedy associates himself, at least in part, with an American mood of frustration and anger which arose from Mr Khrushchev's imprudent threat to "bury" the United States and which has been aggravated by the unfriendly attitudes of some countries that are under-developed and which were recently colonies. At the end of the second world war the Americans had it in their power to dominate all nations, including Russia. Their rewards for having refrained include to date a war in Korea, apparently implacable Chinese hatred, Mr Khrushchev's constant harrying and a United Nations whose bills they mostly pay but in whose General Assembly they have a continually diminishing voice that has now become a squeak of less than one per cent. Many Americans, including apparently Mr Kennedy, believed formerly that, in addition to all these woes, by the end of this year the United States might have fewer long-range missiles ready for firing than Russia. The President now says that the United States is still ahead of Russia in total military strength. But he adds that he is resolved to pay as high a price as is necessary to stay ahead. And some Americans are so on edge with frustration when they think of the costs and the risks of an arms race whose duration and outcome cannot be foreseen that they wonder aloud if it would not be better to strike now rather than to wait for Russia's first strike.

Mr Kennedy has read Thucydides and also he probably does not believe that there can be a military victory by one side over the other in a world of thermonuclear weapons. What he does appear to believe is that possession of superior military strength can be employed to persuade Mr Khrushchev that the balance of power is not tilting towards Russia after all, that a peaceful settlement is necessary for mutual survival and that a settlement can be obtained through negotiations aimed at agreements which both sides will regard as preferable to the *status quo*. But Mr Khrushchev, the President seems to think, will not soon be persuaded of these things in Asia or Africa or even perhaps in Latin America. It is in Europe, where economic growth more rapid than that of the United States has halted and reversed communist infiltration, that the West's superior strength can be demonstrated. In Europe, it is the West that is stable, the apparently aggressive Russians who are really on the defensive. Elsewhere (until deep-rooted Sino-Soviet differences ripen and Russia's own engineers and poets raise a real clamour of disaffection) the opposite is too frequently the case.

The President cannot feel happy to be told by General Taylor and Mr Rostow that south Vietnam may be saved without the dispatch of large American forces only if the south Vietnamese government accepts American advice, when south Vietnamese newspapers under government auspices are accusing the United States of interference for the sake of profiting from capitalist imperialist exploitation. He may not feel much better about Latin America, where the 138-year-old Monroe Doctrine has been breached. Mr

Kennedy did send American warships sailing into the Caribbean off the coast of the Dominican Republic—and he may yet be compelled to become quite deeply involved in guerrilla fighting in south Vietnam. Nevertheless, he seems determined that the United States shall not be over-extended in other parts of the world when he expects the real confrontation to be in Europe; there, he seems to think, it is the Soviet block and not Nato that will back down.

On Wednesday he intimated that the quest for harmony between the Warsaw Pact countries and Nato would come best after successful negotiations over Berlin which, he hinted, might include some form of international control of the access routes. The President assured the editor of *Izvestia* at his marathon interview last week that the United States was just as anxious as the Soviet Union to prevent another war arising out of Germany; he added that both sides should attempt to negotiate a solution making it possible to keep peace in Central Europe. But before wider issues are entered on it seems that the Russians must pass Mr Kennedy's test of "reasonableness" over Berlin.

"Silver and Gold

HAVE I none" or at least not enough, says the United States government, announcing first that last week it lost a record amount of gold, \$300 million, leaving it with less than \$17 billion worth in stock, the least since 1939; and secondly, that this week it has stopped selling silver on the open market because its "free" supplies of that metal are practically exhausted. There is no real reason why either of these announcements should undermine confidence in the dollar although, with speculators and private bankers as nervous and suspicious as they are, the fact that the two announcements came together may mean that they have wider repercussions than they should.

The loss of gold was due not to a flight from the dollar but to a large purchase by the British government (discussed more fully on page 946) which, according to the American authorities, was an example of the co-operation between the two countries which is now being relied on to strengthen the dollar. The suspension of sales of silver had obviously been coming for some time, since the mounting demand for the metal from industrial users, far in excess of the quantity being mined, had almost used up the free stocks which the Treasury had accumulated in the past. But the 1.7 billion additional ounces which it holds as a monetary reserve, to back \$1, \$2, \$5 and \$10 bills, is still intact, although attempts are to be made to free this silver gradually by including these denominations in the central bank's note issue. It is this decision to demonetise silver, rather than the one to suspend sales, which is this week's really sweeping change, making silver into an ordinary commodity.

This change will counteract some of the immediate pleasure of the silver producers at the price rise set off by the removal of the ceiling of 91 cents an ounce which the government's sales at that price have put on the silver markets; the fact that it still has 22 million ounces of free silver available will restrain prices somewhat. The producers will be even more opposed to the President's request to Congress to repeal the law which requires the Treasury to buy silver at 90½ cents an ounce, a floor under the metal which dates back to the depression days of the nineteen-thirties and which is closely associated with the Democratic party and particularly with the Democratic Senators from western states. While the Secretary of the Treasury expects Congress to agree to this, much will depend on how far the price of silver has gone up when the legislation comes to be considered, how likely it is to stay up, and on the extent to which concealed stocks of silver are brought into the market by higher prices; according to the experts, silver mines will not be reopened or new deposits developed unless the price rises to \$1.10 an ounce.

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Republicans' Mint Julep

LAST month, in spite of repeated appeals from the Administration, Democrats in Georgia insisted that Negroes should be barred from a dinner in Atlanta at which Mr McNamara, the Secretary of Defence, spoke. A week later southern Republicans, who were holding a regional conference in the same city, rubbed salt in the wound by including fifty Negroes at a political dinner. But Senator Goldwater, the idol of the Republican right-wing, came to the Democrats' rescue next day by making an open appeal to the prejudices of segregationist southern conservatives. He said that he favoured watering down the civil rights position adopted by the Republican party last year and added that he would support a constitutional amendment making it clear that education is a matter solely for the states—a slap at the Supreme Court's decision that racial segregation is unconstitutional in tax-supported schools.

Mr Goldwater's motives may amount to no more than a dream of capturing the Republican presidential nomination in 1964 by including delegates from some of the southern states in his camp—a dream that has a little more substance since Governor Rockefeller committed a political *faux pas* by announcing that he and his wife were planning a divorce. But other Republicans seeking to establish a two-party system in the changing South may well be tempted by the conservative votes likely to fall into their laps if only the party will soft-pedal its traditional support for Negro rights. At present the Republicans send only eight Representatives to Washington from the southern states, but the old party hacks in the South who were interested only in patronage are being replaced gradually by younger, keener business and professional men; they talk hopefully of winning eight more seats next year, which would be a useful contribution to the forty-four which the Republicans need if they are to gain a majority in the House. Two special elections this month in Texas—to fill the seats of Mr Rayburn and of Mr Ikard, who has resigned—may show how the wind is blowing in a southern state where the Republican organisation is vigorous and where Democrats are beginning to repudiate their party at public "resignation rallies." Elsewhere Republican organisations are weaker, but they have started to win a few local elections, even in South Carolina.

These ripples might become a wave if the Republicans showed more sympathy for the segregationist views of Southerners whose economic interests already incline them toward the Republican camp. Some Republican organisations in the South are rigidly segregationist, in Mississippi, for example, but in Georgia at least one local leader looks ahead to the day when there will be 2 million Negro voters in the state who must not be alienated. The national leaders of the party are even more concerned about alienating the present Negro voters in the big northern and western cities. Senator Goldwater might win the South by appealing to its racial views and its growing interest in protection and lose the rest of the country.

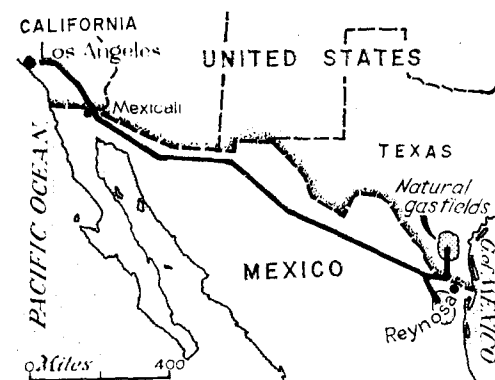
Spanners in Government

AFTER the last great war the way the American government handled its national security policies—on defence, foreign politics and economics—was reorganised to reflect the lessons that had been learnt during the struggle. But, as the cold war has become semi-permanent, there have been many doubts about whether even this new machinery provides the planning, flexibility and co-ordination to enable the right decisions to be taken in time and many changes have been proposed. Two years ago the Senate established a subcommittee on national policy machinery, under Senator Jackson, to find out how well the government is organised

and manned to meet the challenge from the communist world. The committee's staff was able; its members included Senators Humphrey, Javits, Mundt and Muskie; its approach was non-partisan; and its witnesses amounted to a roll-call of many of the most distinguished public servants America has had: Mr Lovett, Mr Kennan, Mr Harriman, General Taylor and Mr Nitze among others. Their testimony makes enthralling reading.

Last week, just before the government changes were announced, Senator Jackson issued a personal "final statement" with which other members of the subcommittee are expected to agree. Its major conclusion is that no new machinery is needed and that any proposal to add to what exists should be examined with the utmost scepticism; in particular, committee-killing, rather than committee-creating, should be the order of the day. (In this respect and a few others the President has already taken the committee's advice.) But the machinery needs to be used better; it is plain that the subcommittee considers that the National Security Council was allowed to become too large and over-institutionalised and to deal too often with routine matters under President Eisenhower, and that it should be confined to presenting the President with major alternatives of policy. The authority of the Secretary of State (who in the American system is the President's principal adviser in the foreign field) should be clearer and his effectiveness greater; this apparently answers those who advocate a "First Secretary" to share the President's load.

Senator Jackson, who thinks that the main problem is to get the best possible people into the important jobs, finds a good deal to criticise on this score. For one thing the government is, he says, over-staffed; the real crime is not that this wastes money but that it wastes the time and energies of the men who are really doing the work. Higher salaries are needed to attract good people; better training arrangements are needed to give them breadth of view and of experience; and it should be made easier to bring in distinguished men from outside by relaxing and modernising the conflict of interest laws. Finally, Senator Jackson argues that a stronger Bureau of the Budget would help the President to establish an order of national priorities and that Congress, whose dealing with matters of national security is dangerously fragmented, should improve its own organisation.



Gas for Gringos

FROM A
CORRESPONDENT
IN LOS ANGELES

SO great is the demand for natural gas in California, as a result of its industrialisation and the growth of its population, that arrangements have been made to bring in gas from Canada; the pipelines are already being laid. Now imports from Mexico are proposed. The Southern California Edison Company, the giant electricity firm in the southern part of the state, has applied to the California Public Utilities Commission for a permit to bring in 75 million cubic feet of gas a day from Mexico to burn in its generating plants in the Los Angeles area.

Why go to Mexico for gas? The explanation is somewhat complicated. The proposal to bring in foreign gas is part of a broader project to transport natural gas from Texas to California by way of a pipeline through Mexico. The Edison Company wants to

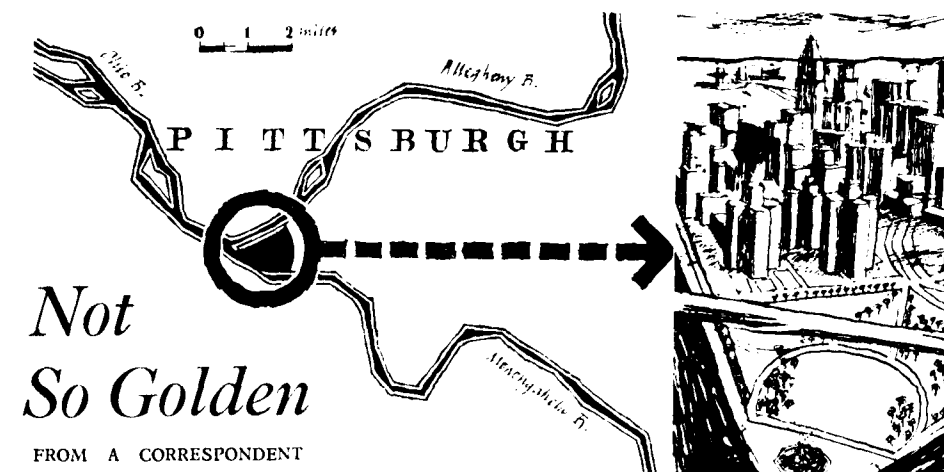
do this to obtain its own independent supply of fuel. It had this once when most of its power was generated in the High Sierras at its own hydro-electric facilities; but by the end of the war the water resources of the region were fully exploited. Since then most of the electricity sent out over the Edison grid in southern and central California has been generated in steam plants. They now carry over 80 per cent of the total load.

In these steam plants the company can burn either gas or oil as fuel and can switch from one to the other at short notice. But to prevent smog in Los Angeles the company, in common with other industrial facilities, is prohibited from burning oil from the middle of April to the middle of November. Hence, for a large

part of the year, natural gas is virtually the only fuel consumed. At present the greater part of this gas is supplied by two companies which are both subsidiaries of the Pacific Lighting Corporation of San Francisco.

At the hearings now going on in Los Angeles before the Public Utilities Commission, which has to decide whether the Edison project would be in the public interest, Edison has pointed out in support of its proposal that the cost of gas for fuel has doubled in the past decade, rising from 19 to 38 cents a cubic foot, and also that the firm, which provides an electricity service to customers which cannot be interrupted, has to depend on a supply of gas

Continued on page 910



MUCH has been written about the so-called "renaissance" of the once smoky steel capital of America—Pittsburgh. Many gleaming skyscrapers have risen on the Golden Triangle where the Allegheny and Monongahela rivers join to form the Ohio. But the new construction has been likened by one local economist to "a golden filling in a mouth full of decay." And the underlying hope—that a declining city could rejuvenate itself by its own efforts—has not been fulfilled. Now Pittsburgh has been officially labelled a "chronically depressed" area eligible for such government help as this status brings with it.

The city has made no small effort to help itself. Since the end of the war fifteen skyscrapers have been built to provide new office and hotel accommodation and many of the major companies in the area have moved their headquarters into these impressive structures. More new buildings are under construction towards the outskirts of the city, but so far progress on these projects has been held back by local political and administrative difficulties. Pittsburghers have not relied solely upon redevelopment to make their city more attractive; a programme of smoke control has been pursued strenuously, but there is still a long way to go before the air will be really clear. For example, the steel industry, one of the worst offenders, says it

will not be completely "clean" until 1970—some twenty-five years after the initiation of the programme. However, much has been achieved already; a nun, who revisited the city last year for the first time since 1936, commented that "the last time I visited I had to change my cuffs and collar twice a day. This time, I changed only once a day."

But it takes more than new office buildings and cleaner air to promote real economic growth. Both industry and people are leaving the Pittsburgh area on an unprecedented scale and in most other respects the region is rapidly losing ground compared with other big industrial centres. Unemployment in Pittsburgh is running far higher than for the country as a whole—and this discrepancy is by no means unusual. Incomes in the region generally are rising at a much slower rate than in other parts of the United States and Pittsburgh itself no longer enjoys the reputation of being a notoriously high wage city. Outside the refurbished central area, Pittsburgh gives every appearance of decline. Slums can be found on all sides of the town and the system of mass transport (which is penniless) probably offers the worst service of any in the country for a fare that is exceptionally high. The roads in the city are in a deplorable state and other services, such as rubbish collection and street cleaning, leave a lot to be desired.

Pittsburgh is battling with all the usual problems that face large cities in the age of the motor car—the mass exodus of better-off families to the suburbs, the steady deterioration of public services within the city. And it has others peculiar to itself. Its failure to achieve a reasonable pace of economic growth must in large measure be blamed on the American steel industry which itself has been beset in the last few years by strikes, high unemployment and a static market for its products. And even within the steel industry Pittsburgh has been losing business to the newer and more efficient plants that have been built in other parts of the country.

But with commendable American enthusiasm the city authorities and the citizens remain undaunted and new solutions to the city's problems are constantly being produced. With the substantial help of a local financier, a Pittsburgh Regional Planning Association was established with a budget of \$400,000 and a directive to find a prescription that will make Pittsburgh grow, to be published next year. According to one member of this team the opportunities for growth open to Pittsburgh are very limited but there is one real hope: that Pittsburgh may become a major centre of atomic research in the United States. Some of the largest electrical manufacturers already have their headquarters in Pittsburgh and much of their research is being done in the area.



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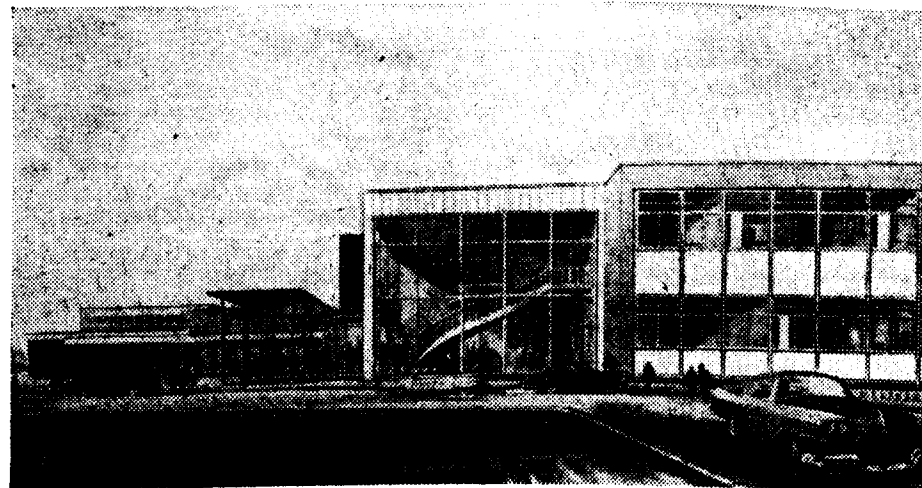
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Experts on Tap



FROM A SPECIAL CORRESPONDENT

IT has already become clear that the educated approach to government, which is so marked a feature of President Kennedy's Administration, will, like the golfing approach of his predecessor, come in for its share of criticism. But in spite of caustic comments from some quarters, the learned bodies whose aid has been invoked continue to beam at the calls for their help. One of the most interesting of these is the Brookings Institution, a small but distinguished research organisation in the heart of Washington which has worked for four decades in the fields of government, economics and foreign affairs. It was Brookings whose staff produced, in the summer of 1960, the famous study of the problems inherent in the change from one Administration to another at the precise moment when these problems were puzzling the Kennedy forces.

Since then the Institution has satisfied other needs, both transitional and fundamental. Because the American system, recognising no equivalent of the British "loyal opposition," provides neither staff nor quarters nor even postal addresses for an incoming Administration until its members actually move into office on Inauguration Day, groups preparing reports for the President-elect found themselves with nowhere to work between November and January, except a park bench. In this frigid situation the Brookings staff, which had just moved from outgrown quarters to a spacious new building, came to the rescue. It provided rooms for conferences and consultations and it had experts on government and economics whose advice could be sought. It had a reference library at once competent and pertinent; it even had a series of carrels (a mediaeval word for study space which the Oxford English Dictionary declares obsolete but which Brookings finds fitting) for harried members of various task forces.

As a research centre, Brookings is unique in Washington; its position there is not the least of its advantages. Washington is a city which is more occupied with the practice than with the theory of government and it lacks a recognised centre for post-graduate studies in the realm of the social sciences. To provide this is one of Brookings's dearly held aims. Its new building bears the title "Center for Advanced Studies" on the side

of one wing; plans for another building which is to have more extensive facilities for such studies are already under way.

The desire of the extraordinary business man who gave his name and most of his fortune to Brookings was that his creation should put the insights of the social sciences at the service of the government. This is an ideal not without some peril. The social sciences are relatively new; moreover, a privately financed research organisation with a declared interest in the affairs of government does not always find it easy to convince everyone of its political neutrality. Moreover, academic institutions organised in the conventional way raise their eyebrows at the less conventional approaches which are a source of Brookings's strength.

UNMOVED by criticisms, Brookings continues to flourish. In the past six years its staff and its financial resources have both doubled. Its staff, with a hard core of perhaps a dozen scholars on permanent tenure, includes some seventy more attached to it for varying terms and under various arrangements. Its annual operating income, derived in part from grants by philanthropic foundations, grew from under \$700,000 in 1954 to close on \$2 million at the end of 1960; its total assets (including the cost of its new building, which was paid before the move was made) rose over the same period from \$7 million to \$16 million. Its popularity with the fund-granting foundations keeps pace with its popularity with government, which makes repeated requests for its research services. In part this popularity is due to the new liveliness of what was sometimes regarded, in earlier years, as a formidably conservative group. In the past six years Brookings's contact with modern realities has been increasing and its hospitality to newer lines of investigation has been attracting younger men.

The character of the Institution's output varies. Careful, classic studies in their chosen field may be initiated by scholars on the staff, or by men with other academic connections who desire to work under the wing of Brookings. Most of the projects for study which are given the Institution's support are expected to result in books that will be

published by Brookings, although sometimes a study made under the auspices of Brookings may, for one reason or another, be published by an outside press. Each study, when it is submitted for publication, is reviewed by a specially appointed committee of experts, and revised by the author with due attention to their recommendations before it can receive the Brookings imprint. This editing by committee does not always improve a book's readability and liveliness of presentation is still suspect, but recently there has been a visible improvement in lay-out and typography, along with more alluring dust jackets.

Short "problem papers" on points of specific difficulty may be either inspired by the staff or requested by a government office or an outside group. Recently Brookings has framed a long-range programme of study and research on the social, economic, political, legal and international implications of the exploration of space for the government. And a five-year project for research and education on the economics of taxation and government expenditure is being initiated by the Institution under the guidance of a National Committee on Government Finance, with funds provided by the Ford Foundation. Other work includes technical assistance to Vietnam and the framing of a tax system for South Korea. A new departure is the State Department's request that Brookings undertake studies of development problems in collaboration with the Overseas Development Institute in London which has received a similar request from the British authorities.

In addition, the staff has recently brought into play techniques of communication at once older and newer than the printed page. Recognising that the daily contact with government affairs which is possible in Washington, like the government's need for quick answers, offers areas for study and service which are still unexplored, conference programmes of varying patterns have been devised to serve young Congressmen seeking to know more about their jobs, senior executives in different government departments eager to exchange mutual problems and solutions and the representatives of big companies who have been assigned to the capital and are puzzled by its complexity. Frankly experimental, these approaches constitute a fresh attack on the centres of isolation which develop within a big government.

So far, Brookings has limited its work in practice to the two social sciences singled out by its founder: economics and political science. It lays little stress on sociology, still less on anthropology and social psychology. Tacit recognition that these latter three may prove increasingly important, particularly to the new countries springing up from the colonialism of the past, may modify the present pattern. The president of the Brookings Institution, Dr Robert Calkins, whose broad grasp of modern problems has been a great factor in the recent expansion of the research which it undertakes, recognises that the growth of the federal government, at home and abroad, requires insights more extensive than those offered by Mr Brookings's two original disciplines.

Continued from page 907

that is interruptible. If at any time domestic users of gas are in danger of running short, the two companies can divert supplies from Edison and other industrial consumers.

The electric power company proposes to end this dependence by bringing in its own gas. Most of this—380 million cubic feet out of a total of 455 million cubic feet a day—would come from the fields of the Humble Oil and Refining Company in South Texas, on the famed King Ranch, but it would be transported to California by way of a pipeline through northern Mexico. The remaining 75 million cubic feet a day would come from Mexican gas fields across the border. While the Texan reserves are already being highly exploited, those in Mexico are undeveloped and, according to Edison experts, they are among the largest remaining sources of fuel on the North American continent.

The project has many points of interest, not the least important being the strong opposition from the two gas companies, who see themselves threatened with the loss of their biggest customer, Southern California Edison. Outside of California, the most intriguing facet of the situation is its hands-across-the-border aspect. As the plans have been drawn up, two relatively short pipelines would be built in the United States, both by the Tennessee Gas Transmission Company, one of the largest operators of pipelines in America. The first would run from the King Ranch gas fields to the Mexican border at Reynosa, the other from the Mexican border at Mexicali to the Edison electric plants in the Los Angeles area. But the largest section of pipeline, 1,200 miles long, joining Reynosa and Mexicali, would be constructed by Petroleos Mexicanos (Pemex), the Mexican government's oil and gas monopoly, which also owns the fields from which the Mexican gas would be drawn. Pemex plans to raise \$165 million, the estimated cost of the construction, from the sale of bonds which would be retired out of gas revenues from Edison over a twenty-year period. American investors are expected to be large buyers of the bonds.

Mexican development would be assisted in two important ways. First, a market would be opened up for gas—and the eventual demand might exceed by many times the original 75 million cubic feet a day which Edison would contract to buy. Secondly, Mexican communities along the 1,200 miles of the pipeline would be entitled to draw on the supply, so that the economy of a wide area of the northern part of the country would benefit. In the United States there is controversy over the project and an early decision is not to be expected, but in Mexico the advantage of the proposed joint enterprise must seem incontrovertible.

Gobbling It Up

EVEN the Thanksgiving turkey has now become a "convenience" food. Last week housewives who wanted to save themselves the trouble of peeling chestnuts and their husbands the trouble of dissecting joints could serve a bird which had been stuffed and boned before it was frozen and could be carved like a loaf of bread. It may have tasted like one too and it was certainly more expensive than the traditional variety. For turkey prices were down by about 25 per cent this year. Farmers are complaining that they are actually losing money on their turkeys, even though the cost of feed is also down, and are considering whether they should accept government regulation as a remedy.

Prices will go down still further, but farmers may do better even so, if the giant turkeys now being grown experimentally become general. These successors to the postwar innovation, double-breasted turkeys small enough for any oven, are already tipping the scales at 50 pounds each, enough to feed 75 Thanksgiving—and 100-pound turkeys are being predicted. Such monstrosities are said to be less costly to produce, although "the

bigger the bird, the fewer its eggs," and cheaper for consumers, particularly for the restaurants and food processors who buy about one-third of all the turkeys sold. Large birds have more meat in proportion to bone than do small ones and it is easier to cut them up, whether for blue plate specials or frozen turkey dinners.

Hamming It Up

HAMS were also being blown up into larger sizes—or less solid ones. But against this consumers have revolted successfully, it seems, with the help of a new Administration anxious to redeem its election pledge that their interests would be protected. The story begins about thirty years ago when meat packers discovered how to speed up and cheapen the old slow method of preserving ham—soaking it in brine and then smoking it—by injecting a pickling solution into the meat. This increases its weight and in 1950 the Department of Agriculture ruled that uncooked smoked meat subject to federal inspection—that is, entering into interstate commerce—must not weigh more when sold than it did before it was cured, thus keeping the new product off the market. Last December the retiring Republican Secretary of Agriculture quietly amended this order to allow an increase of up to 10 per cent in weight. This was done at the request of the big meat packers who claimed that small firms, which do not sell outside their own state and are therefore not bound by federal regulation, were profiting unfairly from being able to use the cheap process.

As a result the market was flooded with moist, mild-tasting hams and the Department of Agriculture was flooded with protests. The new Democratic Secretary called a series of hearings at which the meat packers argued that consumers preferred moist hams and that they were not paying for water since lower prices allowed for this change in quality. Consumers denied that they liked the hams or were prepared to buy water instead of meat; in addition they complained that the new product did not keep well. In the middle of last month the original order was reinstated but to comfort the large packers, who are fighting the reinstatement in the courts, the Secretary of Agriculture may ask Congress to apply it to the small intra-state firms as well.

SHORTER NOTES

It is now taken for granted that Representative McCormack of Massachusetts will succeed Mr Rayburn, who died last month, as Speaker of the House. But the appointment cannot be voted on officially until Congress returns to Washington early in January. Meanwhile, should anything happen to Mr Kennedy and his Vice President, Mr Johnson, the new President would be Senator Hayden of Arizona, the 84-year-old President Pro Tem of the Senate. He is fourth in line of succession, the Speaker being third.

A Bill passed by Congress in almost record time to deal with last summer's outbreaks of aircraft "hijacking" made it piracy and a federal offence punishable by death to take over a commercial airliner by force when in flight. To assault a member of the crew is now punishable by up to twenty years in prison; if weapons are used the penalty may be life imprisonment.

The only bit of President Kennedy's tax programme which has been adopted this year is a provision authorising the Treasury to allot numbers to the 60 million people who pay federal taxes. Only a few million new numbers are involved, since most people have, and use, their social security numbers. The purpose of making the practice universal is to enable automatic equipment to pinpoint those who are not paying their taxes in full.



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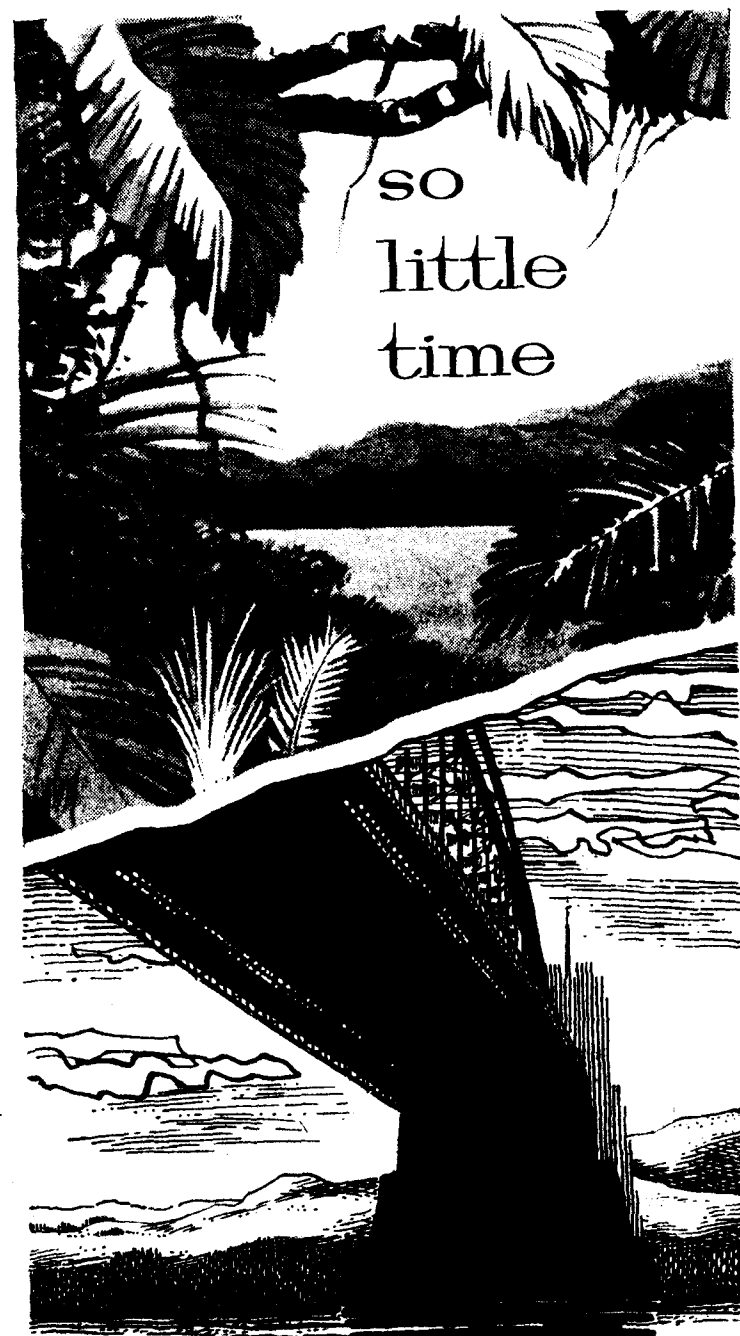
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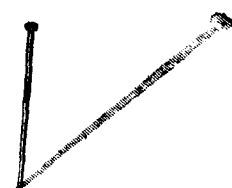


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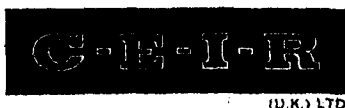
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THE WORLD OVERSEAS

United Nations Without a Quixote

FROM OUR SPECIAL CORRESPONDENT

New York

SINCE the passing of the Congo resolution by the Security Council on November 24th, the United Nations' attention has been outwardly transferred to various other issues: a public debate ranging from disarmament to the Dominican Republic, while the "hot seat" issue of Chinese representation looms ahead. But the troubled Congo flows powerfully on through the heart of the jungle of the Assembly's manifold discussions.

The stream has been thickened with disenchantment and dark doubt by the warning from London last week that British support of the Congo operation was contingent on a certain manner of conducting it. About the precise intention behind the British warning, there is some uncertainty. As it was published, by the chief British delegate, Sir Patrick Dean, in the Security Council debate on November 21st, it reads:

I must make it clear that the continued full support by the United Kingdom of the Congo operation must depend on the skill and wisdom and the conciliatory manner with which the United Nations carries out its mandate.

Those here who would dearly like to achieve a sympathetic understanding of the British position on Katanga are doing their best to satisfy their own doubts by accepting the common argument that the British Government, needing backbench support for its European venture, cannot help but pacify its domestic Katanga lobby. This tendency is assisted by the British delegation's own visible unhappiness over the new parting of the ways and its noticeable lack of conviction in advancing the appropriate arguments. But there is additional concern here over the odd way in which the essentials of the latest phase of the Congo situation are apparently being presented to—or withheld from—large segments of opinion in Britain. It has been noted that the British threat to contract out of the United Nations operation went almost unreported in London. And, to take another example, incredulous eyebrows were raised here last week when it was solemnly averred in a British speech that Mr Tshombe had been conscientiously observing the October cease-fire terms.

It is doubted here whether it is clearly understood in London what the United Nations has now publicly agreed should be done about Katanga—or what is the mood now shaping the plans to execute the agreed intention. The new mandate which the Security Council gave U Thant on November 24th is much more direct and incisive than the one previously provided by the council's

resolution of February 21st. The acting secretary-general is now authorised and required to use the "requisite measure of force, if necessary" in order to apprehend, deport or detain Mr Tshombe's mercenaries and foreign political advisers. The use of force is no longer set only in the

context of prevention of civil war, or authorised only in the last resort. Provision for detention as an alternative to deportation may dispose of the formerly prevalent business of deported mercenaries constantly filtering back into the Congo after a short and refreshing spell of leave—with their fares paid by the United Nations on the journey out, by Mr Tshombe's cut from the mining companies' revenues on the way back.

Nothing here supports the idea that this mandate is now to be executed in a mood of violent emotion and unreason. On the contrary, among those concerned the prevailing mood is marked by caution—and by cold, distinctly uncomfortable logic. Up on the 38th floor of the secretariat tower, where the executive team that Mr Hammarskjöld created for the Congo operation now serves his successor, there is no bloodlust, no burning wish to avenge the September setback, and no illusion about the many difficulties that lie ahead. Reasoning starts from the proposition that Mr Tshombe's ability to maintain his secession rests unquestionably on his access to foreign help and personnel. This is not such a bad starting point, since it is the one assumption shared by all parties in common, including Mr Tshombe himself.

But it does not follow, and it is not being assumed, that the only course of action open to the United Nations is to mount another sudden general swoop as on August 28th and September 13th. Military limitations of the UN are now more clearly recognised. It now has the mastery of the air, which in September was dominated by the Katanga secessionists' single jet: the Dorniers which Mr Tshombe recently obtained from Germany have not reappeared in an active role since the United Nations' command warned them off. But even with the expected Ghanaian and Indonesian reinforcements, the United Nations force will remain not only weak on the ground but inhibited by several contributing countries' express opposition to any involvement in a head-on major clash. A clash forced upon the United Nations by the secessionists' own initiative might be a different matter.

There is no doubt about U Thant's explicit and sincere intention of settling matters without resort to force if that is at all possible within the time limits. Finally, he is aware how deeply the UN's own fate is involved. U Thant is on record as sharing Mr Hammarskjöld's belief that the organisation can and should play an active role, not merely a "conference" one, in resolving international problems. There is no question of the United Nations under his aegis being deliberately cut back to fulfil a conference role only. But the frustration of its hopes in regard to Katanga could cut it back to that—if not, indeed, further back still.

The men on the 38th floor today have been described as a bunch of Sancho Panzas left without a Quixote. Unkind though that phrase may be, there is no doubt about one thing: the windmills are really charging down upon them in this case. U Thant has already impressed most observers by his adroit adoption of a posture that should give him a maximum of freedom in executing the new mandate. The echo of Mr Hammarskjöld was quietly resounding. But the late secretary-general took several years to build up the posture and stature for which he will be remembered. His successor starts with a valuable inheritance in many respects—but the total legacy includes one liability, in the shape of the Congo crisis, that is more pressing and urgent than anything that was thrust upon Mr Hammarskjöld in his first years in office.



Mr Tshombe: charging windmill.

Mr Maudling's Valentine

FROM OUR CORRESPONDENT IN NAIROBI

MR MAUDLING, having been handed an irritable bear by the tail in the shape of several difficult colonies, gave in his five-day visit to Kenya, which ended on Wednesday, a distinct impression that he actually enjoyed the position. More remarkable, having listened to a score of differently minded deputations, from the uncompromising Somali secessionists to a group of earnest, unassuming African women, he rejected the idea of soothing the beast with honeyed words. Instead, in his remarks made before flying on to central Africa, he was commendably frank yet unpartisan.

The political problems had to be "solved and solved soon if Kenya's economy, already sadly strained by natural disasters and flagging confidence, is not to be irreparably damaged." Britain had a great responsibility in tackling these problems, but "even greater and more direct" was the responsibility on Kenya politicians. He had seen enough, he said, to know that tribal tensions and fears of intimidation were based on truth. Indeed, he had: when he flew last Sunday to see the white farmers of Eldoret, excitement over his visit had led to a party clash in which one man was killed and a dozen injured. He had made separate appeals to both African parties to stamp out intimidation and been assured they would do their best. He called for an end to the "exchange of slogans," and a concentration on facts in preparation for the London constitutional conference in February.

If Mr Maudling had left it at that he would have provided no more than the sort of sermon Kenyans are used to hearing from the governor's lips. But he added some of his own thinking about



Mr Maudling: no honey for the bear.

the best form of constitution for an independent Kenya. Remark- ing that there was more common ground between the African parties than might appear on the surface, he trod carefully down the middle of this important space. The Kenya African Demo- cratic Union, the main government party which comprises pastoral and other small tribes, has apparently left him in doubt about what it means by regionalism, though he accepts that its main concern is for individual rights. Equally he accepts from Mr Kenyatta's Kenya African National Union that there cannot be a Kenya nation without, in the Colonial Secretary's words, "a stable and competent central government." His compromise solution seems to be that in addition to this central government there should be (and he was very careful about phrasing these words) "other governing authorities with their own defined rights which do not derive from the central government but are entrenched and written into the constitution." To Kadu, which demands that central government powers should be delegated from the regions, and to Kanu, which

asks that local government powers be devolved from the centre, the judicious Mr Maudling replies that both authorities shall derive their powers from an agreed constitution. He throws in a warning to the Kadu leaders that "trying to meet tribalism by tribal methods runs the danger of perpetuating it. We must try to meet tribalism by looking for individual safeguards."

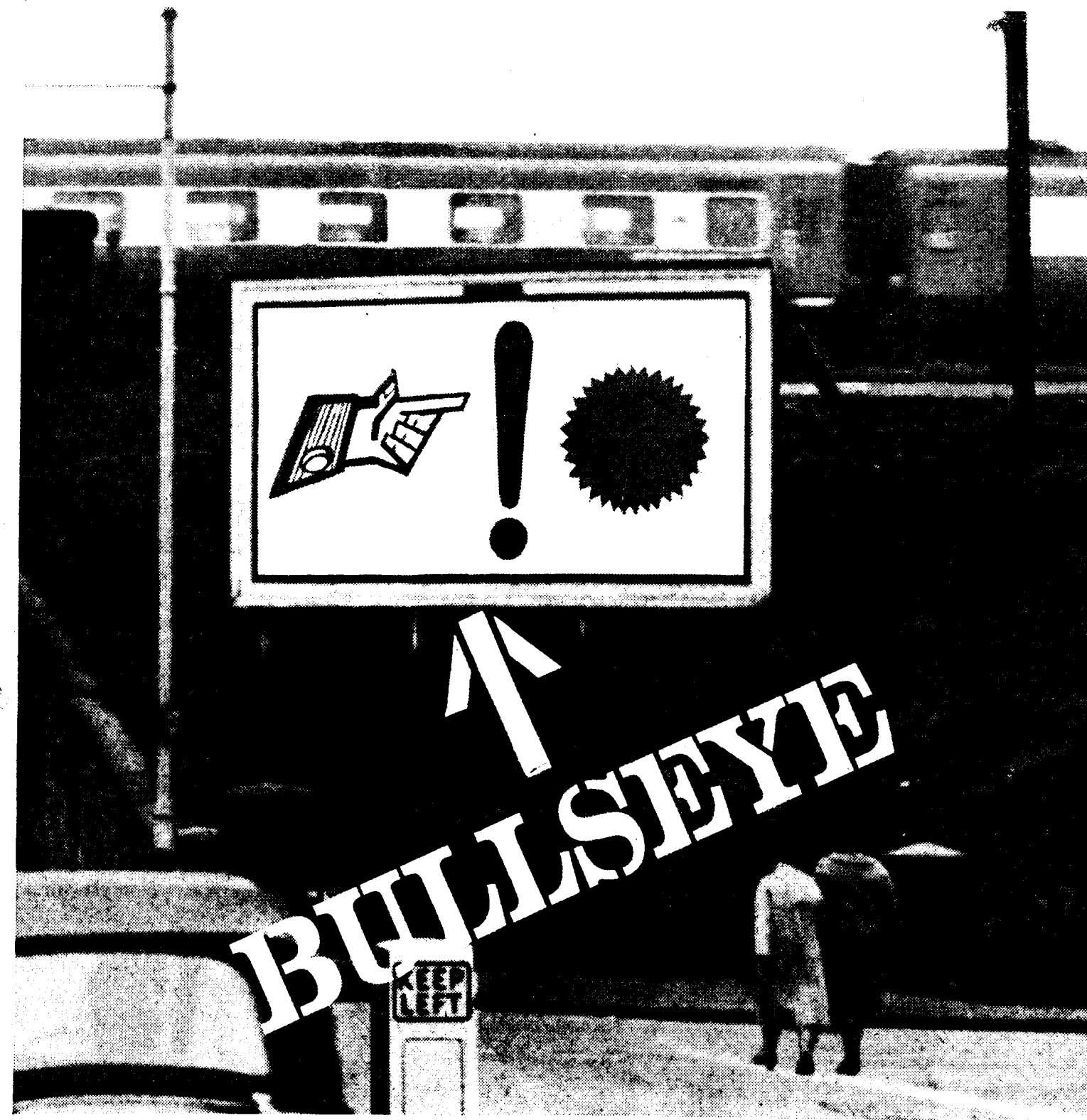
The rest of his constitutional thinking is orthodox. There should be a Bill of Rights and "a most important aid in restoring confi- dence" will be the maintenance of an independent judiciary. A stage of internal self-government has great advantages in his eyes in giving a chance to train the future leaders and allowing investors (whether they are the present white farmers or industrialists who may come later) a painless preview of independence. Some consti- tutionalists criticise the British Government for its ways with a Bill of Rights: this year's Southern Rhodesian version framed by the experts of the Commonwealth Relations Office is said to be riddled with loopholes. Some economists in Kenya suggest there is now no time left to spend on a self-government stage if the economy is to avoid ruin; the country must go straight from the February conference to elections and then independence, for only after independence will investors know the truth. It is an argument which Kanu is likely to support strongly, since its impracticable demand for independence on February 1st has been politely pushed aside by Mr Maudling.

THE Colonial Secretary rejects both these implications. He seems to argue privately that even if mistrust of the Kikuyu is so deeply ingrained in the Kadu tribes that they will not be reassured by a Kanu government's good behaviour while under the British restraints that survive into self-government, there is reasonable hope that such behaviour may develop into a habit of self-restraint with independence. There was certainly implicit recognition in many of Mr Maudling's remarks that Kanu might win the next elections with as wide a margin as the last, but this time form the govern- ment. The promotion of Mr Ronald Ngala, the Kadu president and leader of government business by only a half-step to leader of the House and not to chief minister, underlines this attitude.

All Mr Maudling said was sound sense, but he offers no magical dose to restore confidence. One European farmer summed up his interview with gloomy melodrama: "Naked I went in and naked I come out." Like his predecessor, Mr Maudling carefully avoided defining what moral obligations Britain might owe to white farmers dispossessed after independence. "Let's not think of failure, let's concentrate on preventing it," was his way of turning the awkward point. The African leaders may temper their speeches for some months in deference to him; but the Nandi tribesmen will not stop stealing nails to hammer into arrowheads. The attitude of some Kipsigis farm labourers to the famine relief fund is also distressing: when their gratified employer asked why they had con- tributed a comparatively huge amount, they said it was to save the Masai against the day when they would be needed as allies in war against the Kikuyu.

Such tales are unpleasantly reminiscent of the Congo and, indeed, Mr Maudling said he had been warned by many deputations that Kenya might become "another Congo." The analogy, he thought, was a bad one, since it ignored the great unifying effect that Kenya's administration had had over many colonial years.

Whether or not he is right in this, Kenya was certainly talking itself into a Congo-like situation until a few days ago. Mr Maud- ling's visit may have been the turning-point back to sense, tolerance and peacefulness. With the arrival next week of Sir Ralph Hone as constitutional expert to advise both main parties on their pro- posals for the conference, the official emphasis is laid on looking into next year and forgetting the long squabbles of 1961. The lead will probably be followed by the politicians. There is some danger that many white farmers, plagued first with political



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uncertainty and then with devastating weather, will harvest the present crop and depart before a conference can offer them credible safeguards on land titles. Mr Maudling is risking this, realising that the restoration of confidence will take many months of next year. He allows himself one touch of whimsy in this deadly serious task: he has convened this conference of such fractious groups on Saint Valentine's Day.

Gift for Dr Amini

FROM OUR CORRESPONDENT IN TEHERAN

DR ALI AMINI has been able to celebrate his sixth month as Persia's prime minister with a royal gift that protects him from the opposition's demand for elections and a parliament. A decree by the Shah, announced on November 14th, gave Dr Amini special powers to carry out a specified six-point programme. If this programme is implemented, it should substantially alter the country's social and political structure. In any case, for the time being, the Shah will be ruling the country by decree, through his prime minister.

These emergency measures should remove one major obstruction that has been impeding Dr Amini's reform programme. He has been reluctant to hold new elections because he feared that they would not be free or that, if free, they would produce a parliament that was too extreme for his purposes. But the absence of parliament has prevented him from turning his proposed reforms into law. Under the royal decree, all this is changed and cabinet proposals will become law once they receive the Shah's signature.

The decision to govern by decree is based on a conviction, long held by Dr Amini, that Persia is not yet ready for full democracy. It calls, in the first instance, for democratically elected village councils and, progressively, for the election of town and city councils. At each level of this pyramid, local affairs—education, health, roads, sewage—will be the responsibility of the people themselves. This idea of democracy starting at the grass roots recalls Pakistan's plan for "basic democracy," and the Shah will probably hold the same position in the hierarchy as that held by General Ayub Khan in Pakistan.

The decentralisation of Persia's cumbersome, Teheran-based bureaucracy is to go hand in hand with a considerable reduction in the size of the vast, and sometimes corrupt, civil service. The theory is that the civil service should be cut by dismissing the honest and the dishonest, but compensating only the former; it is to be made more efficient by appointing more capable administrators. A series of decrees, based on legislation prepared by the government, should carry land reform a step further and enforce laws, long on the books, for limiting the size of land holdings. Mechanisation of agriculture is to be speeded up, and a corps of young men is to be formed to help build roads and cheap houses in the villages.

Factory owners are to be placed under an obligation to build houses for their workers, and the government is to do the same for its own employees. Factory workers are to be allowed to purchase up to a quarter of the shares of each factory on an instalment basis. The taxation system is to be overhauled to make tax-dodging more difficult for the wealthy, and thus oblige them to carry a heavier share of the tax burden. The education system, now geared to turn out a surfeit of clerks and civil servants, is to be reorientated towards vocational training and skills. According to the Shah's directives, any laws or regulations that stand in the way of this programme are simply to be ignored.

This is the plan on paper. Clearly, formidable barriers will

have to be overcome if it is to be carried out. Much of the programme, and certainly those parts relating to taxes, education, land reform, housing, and corruption, were enacted into law long ago. Although Dr Amini is probably more capable than his predecessors, he will find it no easier than they did to put the reforms into effect. Landlords, wealthy business men and other vested interests, who up to now have succeeded in neutralising the prime minister's earlier attempts at reform, will undoubtedly find many parts of this plan unwelcome, and if the government fails to create honest village councils, or to reform the civil service, the whole programme could be destroyed.

Dr Amini is also facing opposition from the left wing. The National Front has formally labelled rule by decree unconstitutional, and has warned the prime minister that it will hold him responsible for this breach of the law. Although verbal protests are unlikely to have much effect on the government, a greater threat is posed by Teheran's university students. Their demonstrations for free elections, which they believe would bring the National Front to power, have helped to break governments in the past. Dr Amini faces no such extreme danger at present, especially since he appears to have the Shah's firm backing, but a clash with students would be an inauspicious start for his reinvigorated programme.

Dr Amini is unlikely to be put off by such considerations. Hopes for a reconciliation between the government and the front were shattered back in July, when the government suppressed a planned demonstration and arrested National Front leaders. Since then, senior officials, including the prime minister, have tended more and more to link the name of the front with the outlawed communist Tudeh party. The security service claims that members of a communist ring, which was smashed in Isfahan in October, have admitted that they had deeply infiltrated the National Front organisation in Isfahan.

But Dr Amini is no longer seeking wide and organised support. The new method of government indicates that from now on he will depend on the Shah's backing in order to push his reforms through. Therefore, for the time being, he can be expected to clamp down on all political activity. Persia's foreign exchange position has improved in the last six months, and support from the United States government has come in the form of timely loans and grants worth more than \$30 million. These are favourable factors; that they can be a substitute for public support is doubtful.

Gomulka on Stalinism



FOR the past month Communist parties throughout the world have been mulling over the proceedings of the 22nd Soviet party congress. So far, the most revealing and moving echoes have come from Warsaw, where on November 23rd, before the Polish central committee, Mr Gomulka made his assessment of the reign of Stalin.

Mr Gomulka, who rose to leadership of the Polish communist party in the hard underground struggle against the Germans during

the war, was himself once a believer in stalinism and then one of its best known victims. Less aware than some of his colleagues of the mechanics of the Soviet system, he genuinely believed Stalin's postwar promise that each country should be allowed to follow its own national road to communism. A man of courage and conviction, he refused to toe the line when Moscow began to persecute "nationalist deviations" in 1948. He paid for his staunchness with expulsion from the party and years in jail. His more pliable colleagues, however, managed miraculously to prevent him from being actually brought to trial, so that in 1956, when the 20th Soviet party congress gave the signal for change in eastern Europe, Poland could produce, not a dead martyr, but an alternative leader. It was in the dramatic October of that year that Mr Gomulka returned to power.

SINCE the 22nd Soviet party congress last October was a logical continuation of the 20th congress, the Polish leader was Mr Khrushchev's natural ally during the Moscow debates. Last week, in his Warsaw report, Mr Gomulka reminded communist leaders tempted to take their cue from Peking that the Soviet Union's special position within the block is not only due to its past achievements, but also to the fact that it remains "the main force of our epoch... the main factor of security for all socialist countries." He made fun of the tiny Albanians boasting that they would never be frightened of imperialism. Mr Gomulka is now the staunchest defender of the doctrine of peaceful co-existence. In his view communism must win peacefully, through its superior economic growth, because a nuclear war knows no victors and would be "a catastrophe for the whole of mankind." Here he goes further than Mr Khrushchev, who is still tempted to say that war would spell the doom of capitalism alone. Indeed, the Poles were distinctly perturbed by Russia's resumption of nuclear tests. In a brief, and obviously embarrassed passage, Mr Gomulka felt compelled to justify this measure on the ground that it was a counter to western testing.

But the bulk of his speech was taken up with an analysis of the "deviations from the socialist idea" connected with the so-called cult of personality. In Poland, where the first indictment of Stalin, in February, 1956, had such convulsive consequences, and provoked so much heart-searching within the party, Mr Gomulka could not explain it all by putting the blame on Stalin's character. Last week he made an attempt to analyse the deeper causes of stalinism. The root of evil, in his opinion, was to be found in Russia's exceptional circumstances, in its isolation, encirclement and backwardness. The turning point probably came with collectivisation (and knowledge of its real consequences—Mr Gomulka admits—is still meagre). In the struggle against peasant resistance, the NKVD grew in stature and power. According to Mr Gomulka, the principle of the Inquisition, that confessions extorted through torture are a proof of guilt, was extensively followed in legal proceedings under the guidance of Stalin's public prosecutor, Vyshinsky.

This explanation is less superficial than Mr Khrushchev's. But Mr Gomulka's background as well as his present position prevent him from going deep enough into the matter. He does not analyse the issues involved in the struggle which ended in Stalin's victory. He simply states that Stalin should have expelled the leaders of the opposition from the party and left it at that. Mr Gomulka was most moving when answering the question why communist leaders kept silent while such crimes were being committed. Unlike some of his foreign colleagues, he did not plead ignorance. But he also thought that fear alone—"though one's head is precious"—was too simple an explanation. To explain anguished silence of so many communists who knew, or suspected, what was going on, he evolves what might be described as a communist doctrine of "the Russian revolution, right or wrong."

How many comrades, who did not fear jail or death, did not want to talk even with those closest to them about the criminal destruction of Polish communist cadres during the years of the personality cult, though they were deeply convinced that the men arrested or executed were not in the least guilty. They did not want to talk about it so as not to harm the socialist idea, so as not to give the enemy food for his anti-Soviet campaign.

The Polish leader was less clear when dealing with the present situation and prospects. He claimed that the attack on the anti-party group in Russia, whose members, he said, would not be prosecuted, was not prompted by its influence or activity within the Soviet party. But at the same time he argued that the struggle against the cult of personality was endemic within both the Russian and the international movement. He rejected the Italian idea of "polycentrism" on the flimsy ground that there was no ground for any centre at all, since each party was independent and autonomous. At the same time, however, he stated that all parties must be bound by the decisions of international communist conferences and stressed the crucial part played within the movement by Russia, the upholder of peace. His alliance with Mr Khrushchev obviously makes it difficult for Mr Gomulka to develop a coherent view of democracy within the international communist movement.

In a revealing passage of his speech, the Polish leader said that the main revelations about stalinism must come from the Russians; "if not everything has been said, so far, on their side on the subject of the origins of the personality cult, the reason is, probably, that it is still too early." As if to confirm this view, *Pravda* has published a bowdlerized version of Mr Gomulka's speech, omitting awkward references to insufficient explanations, to collectivisation or to Vyshinsky's inquisitorial methods. Such discrepancies are not surprising at this stage. French communists accuse some of their Italian comrades of the sin of revisionism. The Italians reply that pinning labels on people is not a just or useful method of discussion. Mr Novotny claims that everything is now for the best. Mr Gomulka echoes that one must seek for the roots of the evil.

Australian Election Guide

FROM OUR CORRESPONDENT IN CANBERRA

The Issues. The electors, on December 9th, will decide on these broad questions. On the one hand, has the Liberal-Country government coalition been in power too long and do we need new men with new ideas? On the other, is Labour—with its internal dissensions, with wild men still on its front bench though not in the ascendant, with its subservience to the party's federal conference—fit to govern?

More specifically, the only real issue is unemployment and the credit squeeze that produced it. The number of unemployed is falling—indeed has been falling for the past three months—but it does not fall fast enough to please the government. It is now 2.3 per cent of the work force, compared with 2.6 per cent at its height, a figure which seems high to Australians, accustomed as they had become to about one per cent of unemployment. Labour supporters claim that official figures are an underestimate and that last month's fall in the number of jobless was less than the normal seasonal fall. Few voters have personally experienced unemployment, however, as the main sufferers have been migrants who recently arrived and have no vote.

For a few days it seemed that a quarrel about internal airlines might become an election issue. Trans-Australia Airlines, owned by the government, and Ansett-ANA, a private company, operate the main internal air routes in a competition that is entirely fictional because of the extent of government control over both. These are bones of political contention because the government is assumed

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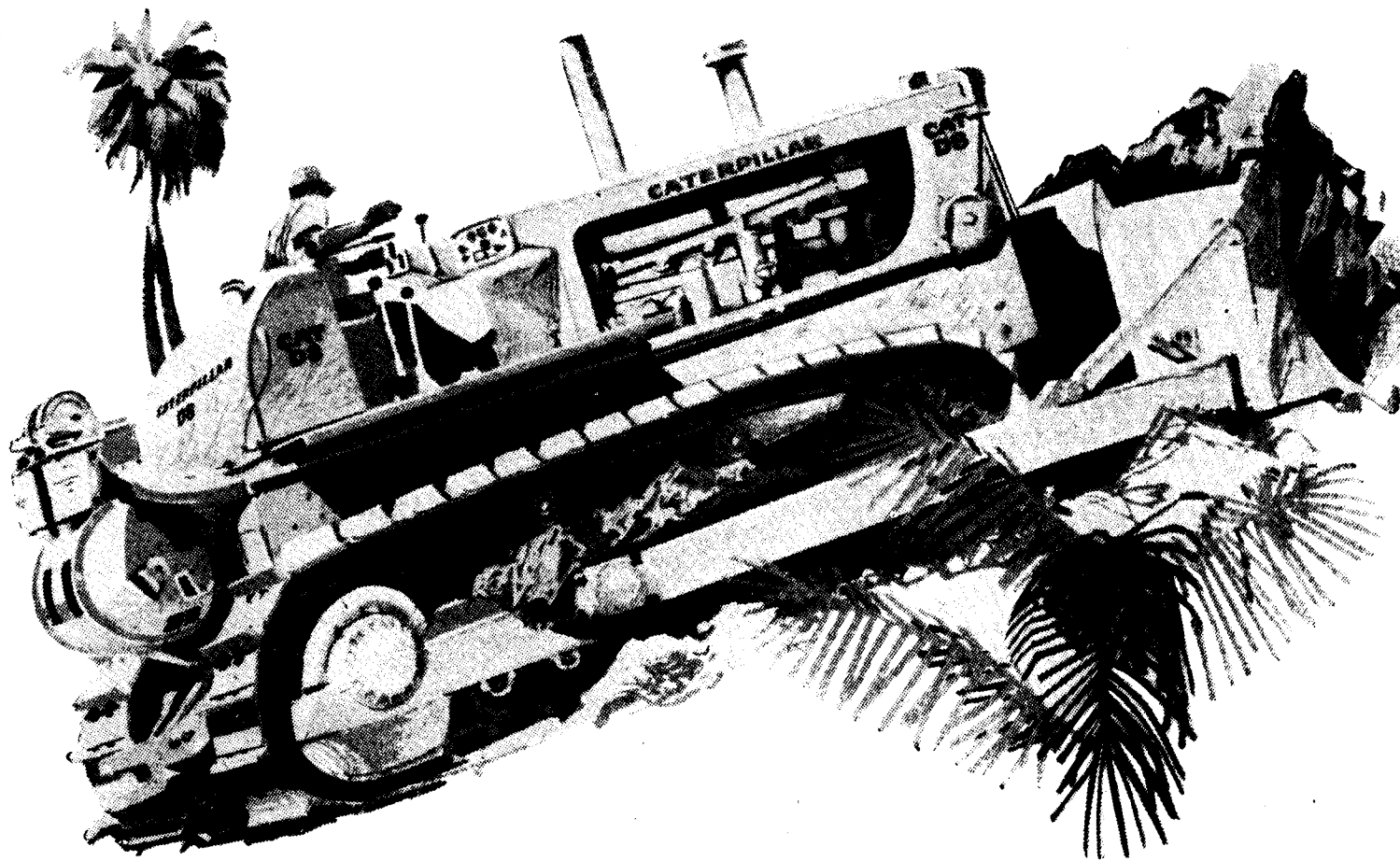
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Rome to Cairo	2 hrs 45 mins
Cairo to Karachi	4 hrs 00 mins
Karachi to Calcutta	2 hrs 35 mins
Calcutta to Bangkok	2 hrs 05 mins
Bangkok to Singapore	2 hrs 00 mins
Singapore to Darwin	4 hrs 15 mins
Darwin to Sydney	3 hrs 50 mins
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to favour the private company and the Labour party the public one. The Labour party lately accused the minister of civil aviation, Senator Paltridge, of pressing a small rural airline, East West Airlines, which is linked with TAA, to sell out to Ansett. Then the Labour government of New South Wales arbitrarily reallocated to East West Airlines some routes now operated by an Ansett subsidiary, Airlines of New South Wales. Mr Menzies, however, has now persuaded the premier of New South Wales to defer the whole matter until after the elections.

Hardly a breath of controversy stirs elsewhere. Melbourne University students have demonstrated against the so-called "White Australia policy," but without public support. Australia's policy in New Guinea, its treatment of aborigines, even the common market have hardly been worth a heckle, and world questions play no part at all.

The Rival Policies. The prime minister is standing pat on the record of his 12 years in office; on the prosperity and development that have accompanied it, on the recent defeat of inflation and the continued confidence of overseas investors. He draws his listeners' attention away from recent difficulties towards future benefits arising from the development projects, totalling about £A200 million, in which his government is a partner: the modernisation of the Townsville-Mount Isa railway, serving the great copper and zinc mines and also cattle stations on the way; the improvement of coal ports in New South Wales and Queensland; the establishment of a steel industry in Western Australia; and the provision of modern rolling-stock for the Broken Hill-Port Pirie railway. He glances at the menace of communism, particularly in south-east Asia, in order to ask whether the adherents a divided Labour party are the people to handle it. His only promise is that ten instead of 20 years' residence in Australia should be the qualifying period for the old age pension.

The leader of the opposition, Mr Calwell, on the other hand, promises everything: a supplementary budget providing a deficit of £A100 million; an increase in every kind of social service payment; large grants to the states for housing at lower interest rates; special grants to the states for schools (in which, except in its own sphere of the Northern Territory, the Commonwealth has hitherto played no part); federal help with the technical and agricultural education of aborigines; a corporation to develop the north; a comprehensive national health service, to replace the limited contributor schemes now run by the state; equal pay for women in the Commonwealth public service; and a return to the automatic quarterly adjustment of wages to the cost-of-living index.

All this, Mr Calwell optimistically reckons, would cost only about £A160 million, which he would find from loans and from the increased revenue of a prosperous economy. Far from increasing taxation to meet the bill, he declares he will reduce it. He would allow "reasonable" transport costs to and from work as an income tax deduction, and he would make special tax concessions to attract people to the empty north.

The Australian Labour party (ALP) has undertaken (as indeed have the Liberal and Country parties) to help and subsidise export industries that are hit by the common market. Its opponents argue that all export industries would be hit by Mr Calwell's inflationary programme, and that he would therefore perhaps end by subsidising them all. But Mr Calwell denies that inflation would result; and he would close the inevitable balance-of-payments gap by restoring import restrictions. The confidence of overseas investors is not, to him, a major factor.

Significantly, Mr Calwell promised not to raise the question of nationalisation during the life of the next parliament. Without a referendum, indeed, he is constitutionally unable to do so; but it is something of a defeat for his left wing that he should have had to make this acknowledgement.

The policy of the splinter Democratic Labour party (DLP) is of more significance than usual in this election because the party may emerge holding the balance of power in the Senate. Its leader, Senator George Cole of Tasmania, promises more or less everything that Labour promises in the sphere of the social services, and would double defence expenditure as well. He made the usual denunciation of the Labour party's communist leanings, which would lead, he said, to "treasonous collaboration with the enemies of Australia."

Except from the DLP, little has been heard this time of the communist scare. The ALP has at last got its recalcitrant Victorian executive to make a move against "unity tickets"—how-to-vote cards in union elections on which Labour and Communist candidates appear side by side. The party successfully backed its own candidate against the Communist candidate for general secretary of the Waterside Workers' Federation, a union which for more than twenty years had been dominated by a notable Communist, the late Jim Healy; and Mr Calwell states firmly that his party is anti-communist. There is, however, probably sufficient doubt about this to attract enough votes to the DLP to keep Labour out of power.

The Prospect. Because they object to being put on the same footing with the communists and such, the Liberal and Country parties have refused to appear on the Australian Broadcasting Commission's television programme presenting all the candidates. Their absence will not win them votes. Nevertheless they are still expected to win, although with a reduced majority. Labour is unlikely to win any seats in Victoria, where the DLP is stronger than ever and where satisfied clients have recently returned Mr Bolte's Liberal-Country government (there is also a separate Country party there) with his majority increased by one. In New South Wales 23 years of Labour rule have dispirited the Liberals and the government's best hope is to hold what it has. This hope is fading now that the *Sydney Morning Herald* has got off the fence on Mr Calwell's side. In South Australia, where a long Liberal-Country party rule has been accompanied by rapid industrialisation, the even balance is unlikely to be disturbed. In Western Australia, the Liberal-Country party government is popular, but can hardly expect to repeat its spectacular victory at the last election, when it won all seats but one. Tasmania has voted more or less fifty-fifty for many years, and seems unlikely to change much. It is in Queensland, where the government now holds 15 seats to Labour's 4, that seats are expected to be lost. Queensland has been hardest hit by unemployment, the state Liberal-Country government is not much respected, and there are several marginal seats. There is, however, from the Liberal-Country party point of view, a useful splinter party in the Queensland Labour party, which is affiliated to the DLP.

The worst the government has to fear would seem to be a dead-

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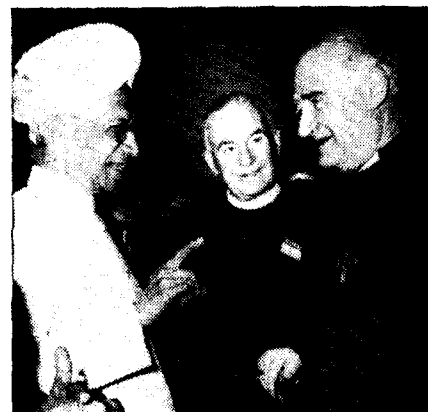
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locked Senate, since more government than Labour senators have to face the electorate this time. But the draw for places on the ballot paper has put more government men than Labour near the top of the list; and this is worth a good deal, because many voters, not having the faintest idea which candidate belongs to which party, vote straight down the ticket. The Liberal-Country organisation hopes to ensure that this advantage is not lost in spoilt papers which in the last Senate election were more than 10 per cent of the total.

Christians in Asia

FROM A SPECIAL
CORRESPONDENT IN
NEW DELHI



Vice-President and an Ordinary Person

ASIA has been seeing a lot of religious conventions. Buddhists from twenty-five countries have been in Phnom Penh, the capital of Cambodia, for the sixth conference of the World Fellowship of Buddhists, and now some twelve hundred Christians, from every country except China, are meeting in New Delhi for the third Assembly of the World Council of Churches. Practically within sight of the temples of Hinduism and Islam, the Christian host set up its tented *shamiana* and staged its main deliberations in the Vigyan Bhavan (House of Wisdom) which the Indian government has elaborately equipped with an all-embracing translation system. Archbishops in puce, bishops in beards, professors in droves, ordinary laymen and lay-women in "ordinary dress" have been bundling about New Delhi in buses and cycle-cabs; they astonished Vice-President Radhakrishnan by swarming across the ex-viceregal lawns to photograph him. As one watched him chatting with the Archbishop of Canterbury, the vice-president's professorial dictum from his Oxford days came to mind: "Christians are ordinary people making the most extraordinary claims."

It is just those claims to uniqueness that scare religious Asia. Hinduism would be happy to have Christianity alongside its parade of gods; Buddhism welcomes its teachings about peace and serenity; even Islam, its ancient foe, is not averse to a kind of armed neutrality. But when 1,200 people gather to assert that Jesus Christ is the Light of the World and the only revelation of God, and when they bolster their claims with the investment of much money in propagating their belief, and choose the capital of India to proclaim it in, then Asia hardens its heart.

The big drive of Christianity in Asia, conducted under the protective banners of imperialism and colonialism, has come to an end. Pockets of the faithful have taken root in a few places. Here in New Delhi it is a meagre company, but in southern India Christianity makes its mark, and it has also astonished the rest of the Christian world by cutting out "denominationalism" and forming the United Church of South India. Asian Christianity is well represented here, and, like western Christianity, is organising itself in face of the omniscient state religions exalted by renaissance nationalisms. It must be conscious of itself and its own mission in Asia, or gradually wither in the life of a ghetto.

What is that mission? It was partly the purpose of this great assembly, organised by the thirteen-year-old World Council of

Churches, to answer that question. In the West, for a thousand years and more, Christianity formed the nations and even extended its sway across the Atlantic to the older New World. It offered its doctrine and preached its ethics until men not only believed but changed their way of life, and saluted the New Testament as the holy book of conduct. It is not likely to accomplish that miracle in the newer New World of Asia. The secularised society has already caught up on it so that institutions, both social and political, bear the state mint mark. The long dream of a Christian social revolution must remain a dream in Asia.

There was plain speaking to the western churches, too, at New Delhi as they move through their post-Christian era. Much of it came from Dr Egbert de Vries, the able director of the International Institute of Social Studies at the Hague. He said:

One of the basic lessons to be learned by the churches in the West is to differentiate between the message of the Gospel and the socio-economic-political structure of modern western society. There is no hope for a retreat into a pioneer puritan or a pietistic attitude of free man in a free society or of a free soul in an unfree society. Dynamic society walks in, though the doors be shut. . . . Western society is thoroughly secularised.

In these circumstances Christianity either retreats into prophecies of "apocalyptic doom," or moves out into campaigns of personality evangelism as represented by Dr Billy Graham, whose presence at the New Delhi assembly was perhaps a recognition that even he is looking for some other way to penetrate the hard shell of secular materialism that encases both East and West. Christianity is on the road of the long haul. Ecumenicals hope that the gradual evolution of the "ecumenical movement," which now incorporates so many varying Christian traditions, may be an answer to the frustration surrounding Christianity both in the West it once conquered, and in the East which has largely rejected it.

This movement has now brought the Russian Church into its orbit. Here at New Delhi their delegation of sixteen were received with a muted, but obviously sincere, welcome. They are to take part in the life and work of the World Council particularly in questions of faith and unity, but the message from Moscow did not exclude participation in social and economic questions. It remains to be seen whether this young Council will be able to carry the weight of Orthodoxy that has now shifted the balance of the Council's life from Europe and America to the Middle East and Asia. No longer can it be accused of being a pan-Protestant movement financed by the churches of the United States.

Next year the Vatican Council is to meet in Rome. It is tempting to meditate on the possibility of a world-wide religious front in which the Great Schism of Christianity may be healed by a renewed conception of its world mission. To save its life in Asia, Christianity must propagate; in doing so it may renew its own unity. Such is the Asian dream of this New Delhi assembly which has stretched its hands across the barriers of the centuries to both Orthodox and Roman, to Protestant and Anglican, to Pentecostalist and Evangelical.



Muted welcome for the Russians

PAKISTAN

A Survey by The Economist



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THE BEGINNING

In recent western discussions on economic aid, the idea has gained ground that it should be concentrated on communities in which stability and coherent economic policies give hope of rapid advance. Most experts and most agencies have their own short lists. But one can be fairly certain that Pakistan now appears on them all.

Few people would have forecast this confidence in Pakistan's prospects when, fourteen years ago, the state came painfully to birth. Frontiers based on allegiance to the Moslem faith severed many old arteries. East Pakistan lost its port, the pivot of its railway system and the whole industrial complex processing its jute. The frontier cut aslant the vast Punjab irrigation system.

There were no head offices of major firms, few banks, and virtually no industry.

Pakistan's inheritance in terms of trained men and women seemed almost more disastrous. The relative backwardness of Moslem education had long been a particular cause of the Moslem's fear of Hindu domination. Trade and industry—such as there were—had been in Hindu hands. Pakistan virtually had to invent a professional and administrative middle class.

To these dire and direct results of partition must be added four other major difficulties—general poverty in the new state's resources, an extraordinary divergence between its two Wings, the instability of its politics and the hostility of neighbouring states.

THE BEGINNING 1 Poverty

PAKISTAN lacks most of the mineral resources needed for modern industry. Coal supplies are very small and the one promising reserve is in remote and difficult country. The only known iron ore reserves are also deep in the mountains; they may prove too remote to exploit at all. Oil exploration has revealed no promising fields so far. Only the discovery of large supplies of natural gas at Sui and Sylhet has relieved an absolute shortage of fuel.

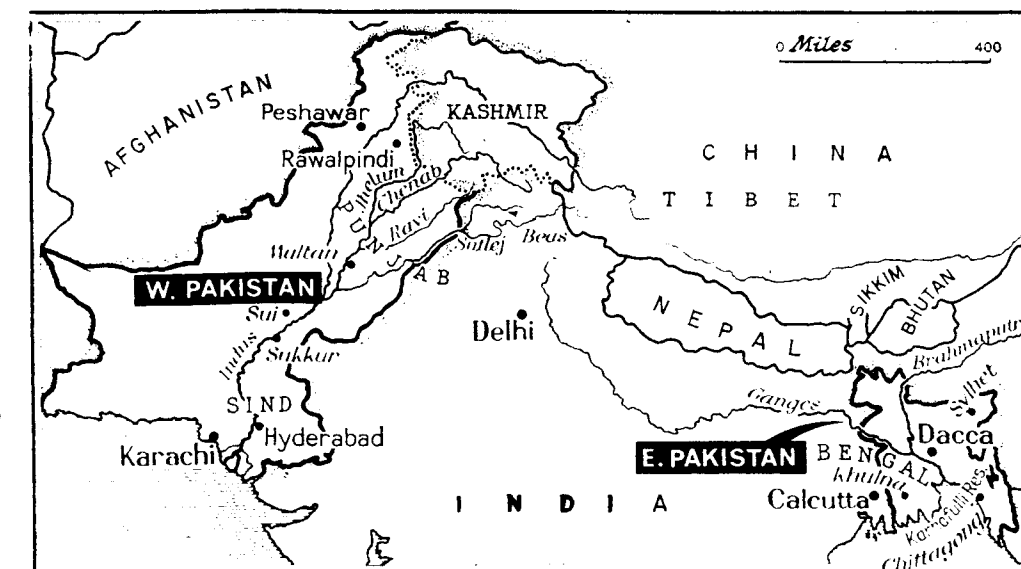
Agriculture employs three-quarters of the population, provides about 55 per cent of national income and 66 per cent of the country's earnings of foreign exchange—the percentage rises to 95 per cent if one includes jute and cotton manufactures. Much of the land requires an enormously expensive effort of irrigation to bring it to maximum production. This may seem strange in East Pakistan where, after the monsoons, the country appears almost literally awash. But the monsoons themselves are irregular, and they provide abundant water for only a few months in the summer.

In West Pakistan, any sizeable addition of arable land depends upon costly extensions to the largest irrigation system in the world. Partition cut across this system, and it has taken a decade to reach an agreement on re-allocating the waters. Briefly, the scheme allocates the waters of the three eastern rivers—Beas, Ravi and Sutlej—exclusively to India and the three western rivers—Chenab, Jhelum and Indus—to Pakistan. Water from the western rivers will be carried across by

eight new canals to replace the water once flowing down the eastern rivers from the headwaters—water which is now reserved for India. True, the bulk of the cost is to be borne by grants from western governments. It is also true that the scheme will enable Pakistan to keep its supplies flowing over the dry months, and increase its hydro-electric power capacity. Yet much of the work is substitution, not new creation, and will absorb skills and materials desperately needed elsewhere.

Moreover, most of West Pakistan's 23 million irrigated acres appear to be affected by water logging or by salinity. Each year,

perhaps 30,000 acres go permanently out of cultivation. As one flies over the *doabs*—the irrigated lands between the great rivers—it looks as though some scrofulous skin disease had infected the fields. The green crops give way to widening circles of bald whitish soil, or peter out in stagnant water. This desperate condition is in part due to the high content of salt in the Indus plain—once an inland sea; in part, to the very gentle incline of the plain which has impeded natural drainage. Canals, too, cut across natural lines of drainage, and they have not been lined; as a result the water table has been forced up by irregular flood-



ing and constant seepage. The whole system was designed to repay its capital cost quickly by distributing the water to as many farmers as possible. But a little water, like a little learning, has been found to be a dangerous thing, because it fails to wash away the salts which evaporation, and the transpiration of plants, bring to the surface.

More tube wells to pump out surplus water and lower the water table, a greater release of irrigation water to flush out salt properly, far more care in the alignment and lining of canals, proper drainage on the

farms themselves—all these are essential remedies. Some of them are incorporated in a master plan drawn up in 1961 by the West Pakistan Water and Power Development Authority (WAPDA) after consultations with a group of international experts. It is an enormous scheme; over ten years, the cost would exceed £450 million, about two-thirds of it requiring foreign exchange. There is no hope of securing these sums from Pakistan's own resources. Yet without action on some such scale, farming productivity in West Pakistan must steadily decline.

THE BEGINNING 2 The Two Wings

THERE is almost a hint of some vast cosmic prank in the bringing together in a single state of two regions a thousand miles apart and so opposite in physical structure and way of life. The West is a land so arid that only massive irrigation keeps it from reverting to the desert; the East, a land that seems to threaten as constantly to slip away into a world of water. In the West live men of mountain and desert, exposed for centuries to the culture of Persian and Central Asian conquerors, reflecting some of their confidence and pride of race; in the East, "web-footed" Bengali farmers of swamp and plain, who share with their neighbours in India one of the great Indian literary languages, and have an almost unbroken history of subjugation—to Hindu zamindars, to British rule, and earlier still, to Moslem conquerors from the West.

The sole link is thus allegiance to the Moslem faith, rejection of Hinduism. It is a powerful force. Yet in the Middle East, where Islam is reinforced by a single Arabic tongue, it has not so far sufficed to promote a sense of common nationhood.

In East Pakistan, the cross-currents of affinity with a common all-Bengal language and culture have eddied across the Moslem

mainstream and drawn additional strength from other disparities between East and West.

Well over half the population live in the East Wing, but in less than one-sixth of Pakistan's total area. The density of population in the West is 140 to each square mile; in the East it is 922. Yet economic development has been pushed much more vigorously in the West Wing. Although East Pakistan's jute and cotton provide about three-fifths of the country's earnings of foreign exchange, virtually every index of prosperity favours the West. At the end of the 1950s income per head in East Pakistan was about £20, in the West £25. Expenditure on development in the East (in 1959-60) amounted to £26 million, in the West to £45 million. Large-scale industry contributed three times more to national income in the West than in the East.

The same disparities appear in administration. In the first decade of independence, few East Pakistanis reached senior official positions. It was not surprising that a certain degree of disgruntled separatism appeared in East Bengal's politics before parliamentary activities were suppressed in October, 1958.

THE BEGINNING 3 Unstable Politics

DURING Pakistan's first years of appalling difficulty, leadership still lay with the Moslem League, the party which, like the Congress party in India, had been virtually the sole instrument in the struggle for statehood. But the next phase proved less fortunate. One can picture what might have been the political disarray in India if, by 1952, not only Gandhi and Vallabhbhai Patel but Nehru, too, had disappeared from the scene. Jinnah died within a year of independence. His closest lieutenant, Liaquat Ali Khan, was assassinated in 1952. The Moslem League disintegrated. Politics split up among partisans of rival leaders; there were six prime ministers in five years, cabinets forming and falling in French profusion.

This manoeuvring accentuated the divisions between the East and West Wings.

In East Pakistan, partition had brought with it a rough and ready land reform. The Hindu landlords—the zamindars—fled. The tenants took over the land. This profound social change gave political life more popular roots in the East. Parties were mass parties and had profound attachments to local Bengali issues. This provincialism did not make cabinet-forming in Karachi any easier, especially since West Pakistan not only remained dominant but conducted its politics on a far more conservative basis.

In West Pakistan, no social revolution accompanied partition. The landlords were Moslem and remained. Since most of the largely Hindu middle class had fled to

THE ECONOMIST DECEMBER 2, 1961

India, the landed gentry, many of them enjoying feudal rights over land, justice and administration on estates as large as medieval fiefs, became dominant in politics. The rise of urban, industrial interests had not gone far enough by the mid-1950s to break the closed ring of patronage and semi-feudal control.

Some entrepreneurial talent did emerge with remarkable speed. It was, and is, confined to a small group. If Hindu and foreign-owned business is excluded, it can be estimated that two-thirds of all Pakistan's private enterprise is controlled by no more than 0.5 per cent of the population. Most of these belong to traditional trading groups and may be descendants of trading castes converted from Hinduism. But the smallness of the community only underlines the vigour of its thrust. In Pakistan, as in all developing countries, the step from importing manufactures to producing them has been crucial. In fact, the change has here been so distinct and rapid as to resemble a film of a familiar process being projected at three times the normal speed. In 1947, Pakistan had virtually no large importing firms. The Europeans remained clustered round the great ports of undivided India. The few Hindus had left. Into this vacuum stepped the Menons, the Khojas and the other trading groups. They quickly made large profits out of the new state's insatiable desire for every kind of import. But by 1952, foreign reserves were running low.



The more far-sighted importers realised that unless they turned to the production of goods to replace imports, they would soon be out of business. Using their accumulated profits, they moved massively into manufacture. The fact that, in undivided India, cotton and jute produced in the Moslem areas had been processed elsewhere also speeded industrialisation. In 1949, India devalued its rupee, and when Pakistan did not follow suit trade was cut off. Exports of jute to Calcutta were halved since Indian banks would not finance the movement of jute. The only alternative was to begin manufacture in Pakistan. Between 1950

THE ECONOMIST DECEMBER 2, 1961

and 1954, an index covering the output of seventeen major industries showed an increase of nearly 200 per cent.

By 1957, these "new men" were beginning to exercise more direct political influence. Since, however, parliamentary institutions were swept away only a year later, it is difficult to say what effect they might have had on the balance of power. In other Moslem lands the combination of an old landowning aristocracy with new thrusting merchants-turned-entrepreneurs has not produced stability. The result in Egypt, Iraq, and Persia has been a blend of conservatism and rapacity calculated to make parliamentary institutions incurably unstable.

Pakistan's new industrialists, however, strenuously reinvested at least three-quarters of their profits in further industrialisation. They sought out new fields of venture. They were relatively moderate in their standards of living. They avoided the common trap of putting the bulk of their money into urban construction or real estate. Industrial expansion went vigorously ahead. By 1958 the index of industrial production (1950=100) was up to over 400. But there were less admirable features. When import controls were imposed, after 1952, power to make or break a firm was often handed to junior and not well-paid officials. In such circumstances, an industrialist's need for a permit, meeting the clerk's need for money, leads inevitably to corruption.

And the difficulties went beyond corruption. Parliament was ready to vote large sums for development which incidentally aided the burgeoning economic interests of the new men or brought rate-free water to the feudal estates. But it could not be brought to accept the full disciplines of control and taxation which rapid development



A FRESH START

A FRESH START 1 The Political Frame

WIDESPREAD revulsion at the incoherence and corruption of public life had led to the army's intervention in October, 1958. The first steps of the new regime were designed to restore popular confidence. General Ayub Khan kept the framework of civil administration, but put army officers in key positions in his cabinet and in provincial government. Military courts were set up to deal with corruption. By fixing price controls and limiting commercial profit margins to 6½ per cent, the new government reversed for a time the precipitous rise in prices. By September, 1958, the cost of living index had risen ten points in just over a year. By

December of the same year it had fallen by twelve. Thereafter, it is true, these controls proved impracticable, and were made virtually inoperative. However, the increase in prices since 1958 has been less steep. The issue of land reform in West Pakistan was taken up quickly and its general shape decreed by January, 1959. Its essence lay in redistributing to tenants and landless families all land over and above 1,000 unirrigated or 500 irrigated areas. Compensation—at a lower rate than in India—would be paid in 25-year government bonds, and the new owners would pay for the land in instalments, also over 25 years. Fragmented

IN most newly independent countries, the army offers the only immediately available form of alternative leadership. In Pakistan the army's position was strengthened by the fact that, alone of the services inherited from undivided India, it had the tradition and self-confidence born of a large rôle in the old society. And after partition the rôle was enlarged by the hostility of Pakistan's neighbours.

In the first decade of independence, efforts by Afghanistan to detach Pakistan's Pathan tribes and unite them in a separate "Pakthoonistan" state were a constant irritant. But the more serious difficulties followed on the divorce from India. Massacres accompanied the rupture, lengthy disputes over property and compensation followed it. Trade was violently interrupted after the Indian devaluation of 1949. No agreement was reached on the division of the Punjab waters. But the worst dispute concerned Kashmir. While Pakistan urged a plebiscite to determine the Kashmiris' allegiance, India stood on the legal rights it

by 20 per cent and foreign exchange reserves fell by nearly 40 per cent.

Much valuable development was taking place in industry, power and transport, but the strains were growing too. Disaffection in the East, frustration at parliament's failure to introduce land reform in the West, the pressures of inflation, and distrust of the new industrial interests produced a malaise which could be turned against the politicians. At this point, the army intervened and established martial rule.

In these conditions the army has had especial influence. Military expenditure never fell below thirty per cent of the central budget. As political uncertainty grew inside the country and the Indian press commented—with what Pakistanis saw as pleasurable anticipation—on the instability of the "Pakistan experiment," there was a certain air of inevitability about the army's interventions in 1958 as "saviour of the state."

Such, then, were the difficulties inherited by Pakistan, such the turmoil of its first decade. Yet today it rates among the more stable economies in the developing world, and it is to be a major beneficiary of the West's new initiatives in economic assistance. Clearly some very large transformation has occurred.

sion during the seizure of power, and this relative mildness has been maintained. A few newspapers were suppressed, a few critics of the new regime received gaol sentences—a practice which has continued since. But, for the politicians, the normal punishment amounted to no more than rustication.

This is all quite far from the anger and violence of many past military pronouncements. It recalls rather the relatively mild repression once practised by the British raj. The analogy cannot be pressed too far, since the British were alien rulers, bent on checking too impatient a demand for self-determination, while the military regime represents the will to survive as a sovereign nation. Not aims, but attitudes, have a faintly familiar air. There is profound faith in the small man, a widespread concern that he should not be tricked or exploited by a tiny group of better educated, but not necessarily more responsible, city dwellers, a marked prejudice against "trade" and "money-grubbing."

President Ayub Khan has declared again and again that his regime is not opposed to democracy, only to "the mess" the politicians had made of it before 1958. In his view, constituencies with 100,000 voters and more meant that the voter could have no knowledge of either candidates or issues. In their place the regime introduced late in 1959 "union councils"—or "basic democracies"—based upon blocks of about 1,000 voters. In these small units, it was said, a man could know what he was voting about. Officials and nominees are added

to the councils, leaving the elected representatives with a two-thirds majority. Delegates from the union councils are then sent up to the next level and so on up the pyramid of councils to the level of the two provincial councils. As the pyramid rises, the proportion of nominated and official members grows. The experiment in some ways resembles the steps by which, during the evolution of British colonial rule, popular opinion was slowly associated with the official element on the governor's council.

The opposition to this approach comes—as it did so many times in British colonial history—from the educated middle classes, above all, the legal profession. It was the Chief Justice of West Pakistan, Mr. Justice Kayani, who protested in 1960 that liberty was being sacrificed in the name of good and orderly government and that "there were quite a few thousand people who would prefer freedom of speech to a new suit of clothes." And the dominance of West Pakistani elements in the government gives the dissatisfaction in the East almost a colonial tinge of resentment.

President Ayub Khan's personality—direct, soldierly, full of calm good sense—has inspired wide confidence, especially in West Pakistan, in the mission he had set himself and his brother officers. Perhaps too much should not be read into the plebiscite of February, 1960, when the 80,000 councillors of the "basic democracies" expressed their support for him. No alternative was offered. But they gave him a 95 per cent affirmative vote.

A FRESH START 2

Beyond the Frontiers

IN the soldiers' eyes, one of the most damaging consequences of Pakistan's tumbling governments before 1958 was the threat to the very survival of the country. Fear of India, fear for its own survival, coloured all Pakistan's external relations. When it joined in the treaty system put together by Mr Dulles after the Korean War, ostensibly it accepted the Central Treaty Organisation (originally the Baghdad Pact) and the South-East Asia Treaty Organisation as defences against communist encroachment. But the treaties were widely discussed inside Pakistan as a reinsurance against India. Not surprisingly, India, too, interpreted them in this sense.

There can be no doubt that President Ayub Khan has lessened a neurotic strain in Pakistan's foreign policy. The fact that he is himself a Pathan and that Pathans play a prominent part in the new regime has blunted the force of Afghanistan's agitation for a separate Pathan state. But the chief gain in confidence has been in Pakistan's relations with India. This is not to say that any cordiality or basic trust has been created; but fear has lessened, especially

the neurotic fear of re-absorption. By 1960, public opinion had steadied sufficiently for the president to make a new effort to put Indo-Pakistan relations on a saner basis.

He has himself summed up his reasons for making the attempt. In a recent issue of *Foreign Affairs*, he wrote:

As a student of war and strategy, I can see quite clearly the inexorable push of the North in the direction of the warm waters of the Indian ocean. This push is bound to increase if India and Pakistan go on squabbling with each other. If, on the other hand, we resolve our problems and disengage our armed forces from facing inwards as they do today, and face them outwards, I feel we shall have a good chance of preventing a recurrence of the history of the past, which was that whenever this sub-continent was divided—and often it was divided—someone or other invited the outsider to step in.

China's fierce repression in Tibet, its building of military roads across Indian territory, its wooing of the hill peoples, its rejection of the accepted Himalayan frontier—all these have sharpened Pakistani

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concern for the defence of the sub-continent. Nor has India's rather tardy acknowledgement of the pressure reassured its neighbour.

This, then, has been the spur to the president's attempts to secure better relations. During 1960 economic problems—a settlement of the still outstanding issues of post-partition compensation and debt, a general renewal of trade—were seriously discussed and some limited agreements reached. Minor frontier rectifications were carried through. President Ayub Khan took the first initiative in meeting Mr Nehru and attempted to base their relations upon respect and understanding. But this has not proved easy. Between soldierly directness and the intellectual's sense of the many-sidedness of things, the road to under-

Resources for the Indus Waters Fund £ million

IN FOREIGN EXCHANGE:

Grants:	
United States.....	63.2
India.....	62.1
Britain.....	20.1
West Germany.....	10.7
Canada.....	7.9
Australia.....	5.6
New Zealand.....	1.0
Pakistan.....	0.5

Loans:	
World Bank.....	32.0
United States.....	25.0

IN PAKISTAN CURRENCY:

United States.....	84.0
Pakistan.....	9.8

322.0

standing and confidence is exceedingly narrow. It is not surprising that, in the effort of reconciliation, a great triumph has—so far—been accompanied by as great a failure.

The triumph is, of course, the Indus Waters agreement which Mr Nehru and President Ayub Khan signed on September 19, 1960. It is true that almost the entire expense of the scheme has been undertaken by the western powers—a constructive contribution to the avoidance of war that has received less than its due of worldwide appreciation. Yet the broad outline of the scheme has been clear since 1954. It was the relative improvement in relations that made it possible for Mr Nehru to pledge—against considerable opposition at home—a sizeable Indian contribution to the plan, and for President Ayub to accept a compromise over the flow of water from the three eastern rivers during the ten years needed to build the new canals, to offer a small but direct Pakistani contribution to the scheme, and to shoulder the burden of debt implied in the two large external loans to Pakistan. Sir William Iliffe and his colleagues of the World Bank deserve unlimited praise for the way they rode out the rising and falling tides of Indo-Pakistan hostility for a decade. But the principals to the dispute also proved that even when

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the life and death of peoples are at stake—for, in both lands, water is an issue of life and death—sanity can overcome anger and fear.

Such a spirit has been sadly absent in the discussion of the Kashmir dispute. In his urgent search for a common Indo-Pakistan stance on defence, President Ayub Khan has probably been prepared for a measure of compromise. There are indications that, if Pakistan secured better control of the upper Indus valley and some concessions about water storage on the upper Chenab, it would drop the demand for a general plebiscite. It has always been the Indian argument that a plebiscite in Kashmir would reopen old communal wounds and threaten the security of forty million Moslems still living in India. Whether or not the leaders in Pakistan accept this argument, there is

evidence to suggest that they would be prepared to accept an adjusted partition and not demand the transfer of the whole state. But so far Mr Nehru has not been prepared to accept either the need for a joint strategic approach to the two nations' northern frontier or the compromise over Kashmir which this would entail.

As a result, the relations between the two countries have once again been deteriorating. Moreover, Pakistanis now resent President Kennedy's new warmth towards India. President Ayub Khan made no secret of this during his visit to Washington in July. This in turn led India to denounce his undiplomatic frankness and to express perturbation over the jet fighters which America was supplying to Pakistan. The weary round of accusation and counter-accusation has started again.

A FRESH START 3

Planning for Growth

The Shape of the Plans

POLITICAL consolidation has provided a firmer base for the next phase of economic advance. The regime may be military, but the bulk of its thought, work and ambition turns on increasing the country's resources—one more reminder that any comparison with the old British pro-consuls has strict limits. The imperial administration saw good government primarily in terms of law and order. For President Ayub Khan and his ministers, good government is above all government which will increase national income by over a fifth before 1966. A strategy to achieve this advance is spelt out in Pakistan's second five year plan (1960-65), published in the middle of 1960.

The first five year plan ran from 1955 to 1960, with development expenditures of £386 million in the public sector and £300 million in the private sector. Industrial production, which had doubled between 1950 and 1954, doubled again by 1960. Government policy played a large part in the expansion, directly by public investment in new industries and loans to private entrepreneurs, indirectly by expansion of the country's capital overheads. Publicly owned electric power capacity tripled—from 200,500 kW in 1955 to 654,000 kW in 1960. In West Pakistan a thousand miles of new roads were built and a thousand more improved. The figure for roads in East Pakistan—665 miles—was, typically, smaller, and plans for expanding water transport lagged behind. University enrolments rose from 3,900 to 7,400, and the number of students graduating each year in engineering increased from 274 to 400. Again typically, agricultural graduates only went up from 150 to 180.

Yet "infrastructure" was not neglected in agriculture. More than a million acres

came under irrigation; two and a half million more were improved by better drainage, more regular supplies of water and flood control. The government's ultimate ability to stabilise the grain market was increased by a doubling in the capacity to store food. Government encouragement also made possible about a fourfold increase in the use of fertilizer. Yet the first plan failed in its chief aim. The aim had been to increase national income by at least 15 per cent over the five years, with a 7 per cent increase in per capita income. Since population grew much faster than the forecast and national income rose only by 11 per cent over the period, the utmost that could be claimed for per capita income was an increase of perhaps 2 or 3 per cent in the five years. The increase in consumption was probably higher than this in West Pakistan; the only possible conclusion is that the poverty-stricken people of East Pakistan were hardly any better off at the end of the plan.

The results were thus disappointing; the

Cost of Second Five Year Plan

(1960-65 : revised estimates)
£ million

	Govt.-financed	Private-financed	Total
Agriculture and Village Aid...	181	68	249
Water and power	311	19	330
Industry	110	275	384
Fuels & minerals	34	41	75
Transport and communications	204	97	301
Housing and settlements...	149	115	264
Education, man-power & welfare	108	12	121
Total	1,097	628	1,725

reasons why need to be borne in mind in assessing the prospects for the second plan. The major difficulties were weaknesses in administration, continued stagnation in agriculture, failure to mobilise domestic resources, and the unsolved problem of foreign exchange.

The broad aim of the second plan is to increase national income by 22 per cent in five years. Since the census of 1961 has revealed a rate of growth of the population of 2.2 per cent a year and since the government's support of birth control can hardly show any results for at least a decade, the hoped-for increase in per capita income is only about 10 per cent. To achieve this, investment of the order of £1,725 million is proposed—to which has to be added a direct, not reimbursable Pakistani contribution to the Indus works of £45 million. The sum is now more than twice the expenditures undertaken under the first plan.

Main Production Targets of Second Plan

	1959-60	1964-65	Per cent increase
'000 tons			
Wheat	3,703	4,329	17
Rice (cleaned)	8,341	10,164	22
Total foodgrains	13,189	15,921	21
Sugarcane	15,430	20,800	35
Fish	290	360	24
'000 bales			
Jute	6,000	7,300	22
Cotton	1,666	2,292	38
Million lb			
Cotton yarn	380	520	36
'000 tons			
Jute goods	250	380	52
Cement	1,050	3,000	186
Steel	0	350	—
Coal	723	1,500	107
Soda ash	25	74	196
Units			
Locomotives	135	162	20
Buses and trucks	25,000	36,000	44
000 kW			
Installed electric capacity (net)	906	1,272	40

Between 1959 and 1961 the estimate of cost had been revised upwards by as much as 21 per cent. Internal and external prices rose. More aid was "tied." More detailed accounting increased some estimates. There was a larger carry-over of uncompleted projects from the first plan. The final breakdown is set out in the accompanying table.

Problems of Administration

During the first plan, it became clear that the public authorities concerned lacked the drive and efficiency needed for full success. In part the problem—as in India—has sprung from the very qualities of the old Indian Civil Service. Trained in the traditions of Whitehall, with every emphasis on probity and careful audit, the accurate answer next year if need be, not the prox-

mate answer today, officials hate the quick decisions and inspired guesses that rapid development requires. Again as in India, they have an instinctive distaste for the ways of the business world and a—possibly unconscious—conviction that the economic decisions they make are more likely to be “in the national interest” than those which are influenced by the “random” outcome of market forces. And the finance ministry, more certain of its own judgments than of those of any other department, insists on minute reference and audit.

The official's beliefs incline him toward an absolute priority for all projects in the public sector and a tendency, in allotting foreign exchange, to treat the private sector as residual. His distrust of the market is reinforced by a confusion of aims familiar to anyone who lived in Britain in the first five years after the war—the confusion between maximising wealth and maximising welfare. In a country of grinding poverty it seems just and right that the necessities of the masses—food, lodging, textiles—should be cheap. Yet price controls have the effect of increasing consumption and discouraging greater production, thus aggravating the shortages or building up flourishing black markets. For years, Pakistan's grain production remained more or less stationary, while vigorous smuggling went on across the Indian frontiers. A further refinement of this confusion has occurred in the vital field of foreign exchange. To encourage exports, exporters of certain goods have been offered a bonus in the shape of 20 per cent of the foreign exchange they earn to use as they wish. A heavy excise duty has also been placed on some commodities to discourage local consumption. When, however, increased exports of tea created local shortages and higher prices, the government introduced price control and cut the export quota. Similarly, when larger exports of cotton goods put pressure on domestic prices, the government abolished the export bonus on cotton yarn. The desire to secure cheap consumption cuts across the fundamental aim of rapid economic expansion.

PARADOXICALLY, industrial expansion has not been very inhibited. Business men may, as in India, have complained bitterly about the licensing system and the “eighty permits” they need before a new undertaking can be launched. But the rate of growth in the industrial sector has been among the highest in the world. Industry has received massive government assistance, directly in loans from the Pakistan Industrial Development Corporation (PIDC), indirectly from public investment in the rest of the economy. It has enjoyed the almost complete protection offered by the licensing of all imports. It has paid less than a true market price for its domestic capital. Its imports under licence have been in the nature of a continuous subsidy since the Pakistan rupee is considerably overvalued. Industry, in short, has done well. The chief consequences of ineffective plan-

ning and performance are to be found elsewhere—in the failure to stir up agriculture, in the insufficient mobilisation of resources. So many of the best official minds have been bogged down in licensing and controlling that other major needs have suffered neglect.

Now, however, there seems to be a general resolve to simplify and revitalise procedures. Financial control has been decentralised, accounting and audit are being reconsidered; a special projects division has been



set up in the cabinet secretariat to follow the progress of agreed plans and decisions; and the small, efficient Planning Commission is to be strengthened by seconding to it the best possible professional staff. Special agencies have been set up to carry out particularly urgent tasks. Water and power development authorities have been established in each Wing; a new agency will develop East Pakistan's inland water transport; two new agricultural corporations are envisaged. Here the government has been encouraged by the aggressive success of the PIDC, which can claim much credit for the rocketing growth of industry.

But the change which can, in theory at least, do most to lessen the administrative load is the decision to leave the bulk of development in the hands of private enterprise and hence to accept, within broad limits, the guidance of the market. Some steps to lessen controls have already been taken. Sixty-two items have been placed on automatic licensing—the importer's licence is simply renewed when he has used up his quota—and this extension now covers 118 industries instead of only 14 in the earlier period. The new procedure covers iron and steel, metals, lubricants, rubber, explosives and other industrial materials and should permit four-fifths of the industrial sector to cover their full import needs. To discourage importers from bringing in inessentials, duties on luxuries have been increased while duties on essential raw materials have been halved. This has encouraged some advisers

to suggest that in domestic production, too, high excise duties on luxuries and inessentials might replace licensing and direct control.

Among other steps taken in this direction is the ending of control over grain sales. Henceforth the government will rely on its control of adequate stocks of grain to give floors and ceilings to food prices. Again, up to a certain level of investment, an entrepreneur can now enter certain industrial sectors without a permit. A wider relaxation will depend on the effect of these first steps. The cumulative effect should be to transfer more and more decisions in the industrial sector to the entrepreneurs.

In general, the government has small reason to worry about the capacity of business to fulfil its share of the plan. The record of achievement is manifest. In addition, industry is encouraged by liberal depreciation allowances and by a tax holiday for new ventures. Excessively high tax rates on foreign business have been lowered. The types of production which the government wishes to encourage—cement, textiles in cotton and jute, light consumer industries using local raw materials—are just the type into which early industrialists tend to go. And both domestic and foreign enterprise should not be too difficult to attract, by way of a tax holiday lasting four to eight years, according to the location they choose, into such tried favourites as plastics, petrochemicals and synthetic fibres. The new plan begins under the sign of administrative relaxation. This should free the authorities to pursue urgent tasks elsewhere.

The Agricultural Front

There is no doubt about the first of these tasks. In Pakistan, as in virtually every other developing economy, no plan can succeed unless momentum can be achieved in agriculture. Apart from such cash crops as sugar cane, tea and tobacco, agricultural output has remained more or less stationary over the last decade, despite the extension of irrigation and the bringing of five million more acres under crops. From 1948 to 1958 rice production fluctuated, according to the weather, around 8 million tons, wheat around 3 million tons, jute around a million tons, cotton lint around 280,000 tons. The reasons for the stagnation comprise all the misery of Asian agriculture—fragmented holdings, unproductive landlord-tenant relations, uncertain rainfall, primitive techniques. But planning and administration have played their part. Controlled food prices turned the terms of trade against the countryside and discouraged rural investment. Meanwhile, keen entrepreneurs in the cities pressed for loans and scarce foreign exchange; and the parts of the government dealing with transport and industry had more competent and aggressive leadership than the ministry of agriculture.

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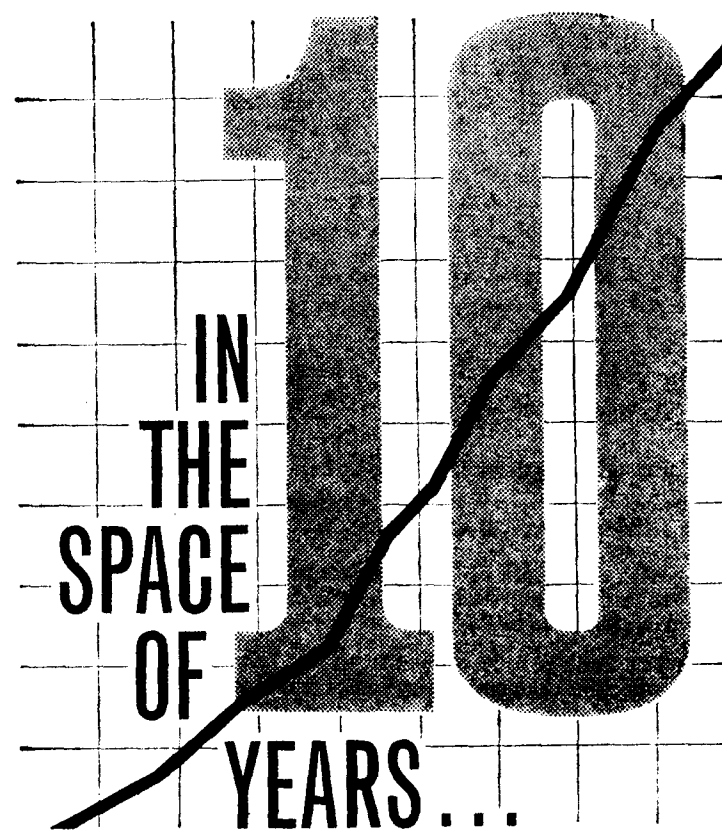
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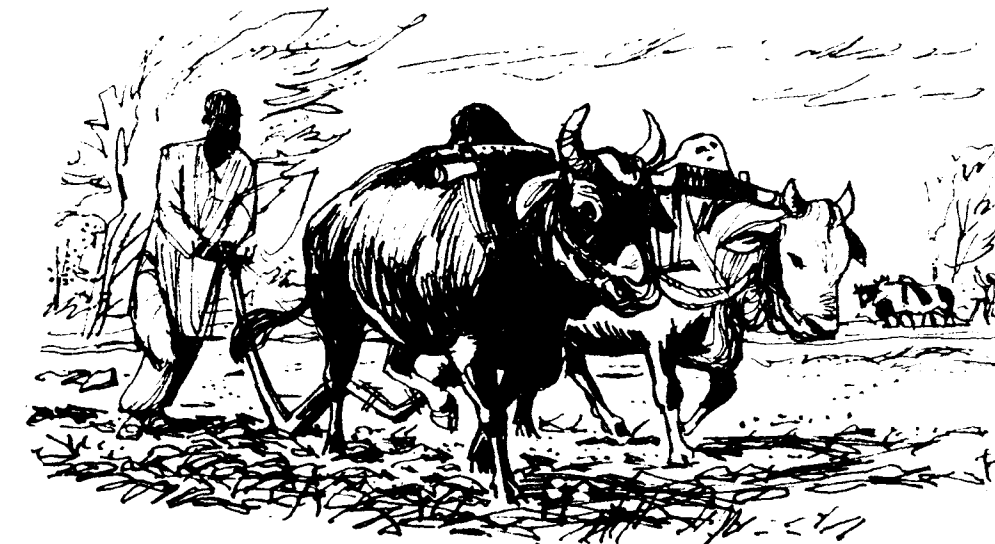
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prestige did not match the opportunities in other branches of the public service. As a result, it failed to develop a forceful, technically competent cadre of officials. Yet in agriculture above everything else it is now clear that good administration is a precondition in advance. If the peasant can be taught improved methods and can secure better seed and more water, fertilisers and credit, output can double and treble. But for this purpose, there must be an effective network of well-trained agricultural advisers in the villages; and a reliable supply line for seed, fertiliser and credit must reach right down to the farmer.

Neither condition has existed in Pakistan. In the East Wing, the lowliest agricultural official, the "union assistant," has to cover ten villages, 1,500 farming families and about 5,000 acres. He has no office, no transport, only a nominal housing allowance, and often has to live away from his area. In the West, there are no union assistants; the bottom rung on the ladder of agricultural officialdom is the field assistant, who has to cover about 15,000 farmers and up to 100,000 acres. For the comparable area in the East—the thana—the agricultural officer is at least given a bicycle. In the West, the official receives no help for either housing, office or transport. Further up the ladder, the officials' competence may improve but there is little or no direct contact with the farmer. And the efforts of the often willing but usually untrained man on the spot to demonstrate better methods are largely vitiated by the faulty supply line. Fertiliser does not arrive; it deteriorates in inadequate storage; merchants charge scarcity prices; credit, save in a few co-operatives, is also in their hands.

THIS is the background against which the new plan was shaped. Its targets are not, at first sight, very high. They include a 21 per cent increase in grain (which should give Pakistan self sufficiency in food), 22 per cent in jute, 38 per cent in cotton. But over the last five years, the utmost claimed for grain production is that it may have increased by just over 4 per cent; many experts believe it has in fact been very nearly stationary, while yields per acre have certainly fallen. Jute output has grown by only 5 per cent, cotton by only 2 per cent between 1956 and 1960. The second plan's targets are not physically impossible. But they could prove so in terms of organisation and administration.

Structural changes are also needed to give the farmer the inducement to work better. In the East Wing, he owns his land but holdings are minute and fragmented. In the West, the land reform has probably not redistributed more than 2 per cent of the cultivated land. There are reports of widespread evasion in the familiar mode of registering uncles and brothers and cousins as separate owners. There are disturbing rumours of favouritism in the allocation of newly irrigated lands. In both Wings, the co-operative movement is largely moribund. Thus, in general, the farmer still lacks the



self reliance needed to make him feel he will gain personally by new methods and harder work.

Yet there is no reason to suppose that the necessary changes cannot be brought about. Where the co-operative approach has been seriously attempted—in the Punjab—it has proved successful. Ten years ago, settlement societies were established; while the land was leased to the society, it was cultivated by individual farmers. Better seed and fertiliser have been used, and marginal lands improved. The societies have begun to break the fatal historical dependence of the cultivator on the middleman who is also the money-lender—even if he is no longer usually landlord as well. And they encourage peasants who see that they gain directly from their own new efforts. A similar pattern of development is under consideration for some of the new land irrigated by the big Ghulam Mohammed barrage in Sind. The government has now decided to encourage the organisation of compulsory co-operatives as widely and quickly as possible.

Effective agricultural administration can also undoubtedly be achieved if the government wholeheartedly accepts the need. The basic point is to apply the same rational and professional planning of which the administration has shown itself capable in other spheres. Take the crucial example of constructing large-scale, multi-purpose dams. The whole scheme is minutely prepared. Approach roads are built, labourers' housing constructed, on-site electricity provided, technically competent staff secured, and schedules worked out for the phased arrival of supplies. And while the dam is being built, the next phase of the operation—the installation of generators and transmission lines and the building of subsidiary canals—is carried forward. Yet again and again when the canals are finished, the power available and the water flowing, the same phenomenon recurs. No preparations for irrigated farming have been made. There are no peasants. No land has been allocated. There are no plans for land use. Feeder

channels have not been built. There are no farm buildings, no roads, no warehouses, no central stores. The creative intelligence that had acted in a perfectly rational fashion in the sphere of public works seems to stop dead at the frontiers of agriculture.

And this is pretty much what happens. For several generations, the best minds have gone into finance, railways, engineering and industry; all these fields show order, drive and rational administration. In agriculture, procedures are tolerated which would lead to the instant dismissal of a public works engineer or a railway superintendent.

Since, however, the needed order and intelligence dominate other areas, there is no reason why, if the government is really converted to the primacy of agriculture, the same virtues should not be introduced there. This means putting more and better officials into agricultural service and raising its rewards and status. It means accepting—as in India—the idea of a "project area" in which all the means of modernisation will be made to converge. It means the setting up of special agricultural corporations—on the lines of WAPDA—to ensure the necessary unbureaucratic momentum. It means, for a time at least, a supply wing attached to the department of agriculture—or to the corporations—to ensure the delivery of essential supplies on time and at prices which the farmers' sales will cover. It means a wholly new emphasis on the co-operative movement, and the training of its officials for the immediate tasks of providing credit and the ultimate task of taking over the supply wing and developing a marketing network. It means concentrating the existing Village Aid organisation on the central task of securing more food and better co-operatives. It means a steady effort to associate village councils with the development plans of their own areas. Only thus can popular enthusiasm be mobilised behind an agricultural renaissance. All these recommendations have now been made to the government in the admirable report of the special commission on food and agriculture.

A new emphasis on agriculture has impli-

cations for education as well. The second plan proposes more than a doubling of educational investment. The proportion of children between 6 and 11 attending primary school—which increased very little between 1954 and 1960—is to rise from 42 to 60 per cent by 1966. The aim is primary education for all by 1970 and compulsory schooling up to the age of 14 by 1975. Whether this results in farmers better able to adopt modern methods will depend very greatly on the emphasis given to agricultural training in the schools, and above all on the opportunities which farming offers to young people. Otherwise, primary education will only accelerate the drift to the cities. In high schools in rural areas, there is to be more instruction in agriculture. Three agricultural universities are to be established and the annual graduating class increased from 380 to 600. Yet it is impossible to read the government's plans without wondering whether agriculture should not enjoy an even higher priority. New polytechnics and training centres are to cater for industrial craftsmen. There is to be new emphasis in science and engineering; graduates are to number 700 a year. In comparison, the agricultural projects still seem conservative in relation to the immense load improved agriculture has to bear.

However, one of the most hopeful new features of the new period of planning is that the government has accepted virtually all the major recommendations of the commission on food and agriculture. If the two new agricultural corporations secure as much talent and autonomy as have such bodies as WAPDA or PIDC, a new phase of thrusting, competent administration could lie ahead. And the demonstration effect of a breakthrough in a number of "project areas" may turn the means of modern farming from a blueprint into an insistently demanded right.

The Mobilising of Resources

As we have seen, lack of budgetary discipline, expenditure that outran resources, deficit financing and finally inflation undermined the economy's performance under the first plan. A vital test of success in the second is the extent to which the need to mobilise more resources has been squarely faced. The adjoining table suggests that the government has taken the lesson seriously. It will be seen that the element of deficit financing is very small, and has been even further reduced in the latest estimates. The higher yield of existing taxes is expected to make at least £60 million available for development from the revenue budget—provided military expenditure can be stabilised and administrative expenses go up by no more than 2 per cent a year. Modest budget surpluses in recent years and firmer financial discipline in the cabinet make this forecast at least possible. Public services and corporations are expected to earn investible surpluses. Additional taxation is to produce £130 million. Taxes introduced in the 1960/61 budget should, over the five years, equal about half the proposed increase.



True, no new taxes have been proposed for 1961/62, but the finance minister has spoken only of a "respite," and no doubt further taxation will be introduced to cover the balance.

In the financing of the semi-public sector—the sphere of autonomous public corporations, some of them with private participation—the bulk of the new capital is to come from government loans already provided for in the estimates of public revenue, from surpluses earned by the corporations, from foreign loans and from private participation. Similarly, nearly three quarters of private investment is to be provided by government loans, foreign participation and the reinvestment of earnings. The element of fresh credit creation is small.

This level of domestic investment should be perfectly feasible. True, it implies that more realistic rates will be charged for public services such as electricity and transport, but the government has now accepted the idea that a public corporation must pay for its own expansion. The plan, wisely, relies

Second Plan: Governmental Resources			
£ million			
	Original plan	Revised estimates	
Revenue surplus	60		
Customs duty on commodity aid imports ..	38		182
Resources of local bodies	15		
Capital receipts	112	125	
Additional taxation	75	131	
Deficit financing	75	11	
Foreign aid :—			
Development assistance	300	425	
Counterpart funds from US defence support and commodity aid ..	188	222	
Total	863	1,097	

more on reinvested earnings and budgetary surpluses than on that hitherto very modest performer, the Pakistani private saver—although prize bonds have been introduced to tempt him to a little more courage. And the general level of saving is still low. Domestic savings at the end of the plan will still be no more than 8.6 per cent of gross national product. It is a modest and therefore attainable figure.

Is it too modest? The unusual and disturbing feature of the financing of the plan is the degree of its dependence upon foreign assistance. It may be relevant to ask whether a more ambitious mobilisation of domestic resources should not be attempted, and the scale of external assistance related more directly to internal performance.

Problems of Foreign Exchange

Admittedly one of the chief factors that has inhibited more rapid investment in the last six or seven years has been the absolute shortage of foreign exchange. Many attractive lines of investment have had to be postponed because the essential component of foreign exchange was lacking. The crucial question in the next decade is whether this absolute stringency can be reduced.

Part of the answer lies with the Pakistanis. The relative failure of agriculture has seriously weakened the country's balance of payments. The figures bear repetition. The products of field and herd provide 66 per cent of Pakistan's exports—95 per cent if one includes cotton and jute manufactures. If more domestic cotton had been available, there would have been less of a tug of war between consumption and exports. Above all, greater production of food grains would have spared the country the import of millions of tons of foreign grain over the last decade—only a part of them covered by American surpluses made available under Public Law 480.

Yet much of the problem of foreign exchange lies outside Pakistan's own control. Its exports are goods for which foreign demand is very inelastic and domestic demand increasingly lively. The prices of raw materials fluctuate unpredictably. Western quotas fix limits to the export of textiles. European excise duties hold down popular consumption of tea. All exports face strong competition from other Asian suppliers. The problem is the same as India's—a traditional pattern of exports dominated by lines in which progress is virtually bound to be slow. The export bonus scheme has had encouraging results. It is to be continued until 1965. But it cannot double the rate of exports in five years which, without external aid, is what Pakistan would need to achieve. Nor is there any hope of private foreign investment expanding rapidly enough—as, say, in Canada—to make good sluggish exports. The government encourages investment, and has reduced taxation on foreign enterprises roughly from 60 per cent to 50 per cent; and industries established during the second plan will enjoy a tax holiday varying from four to eight



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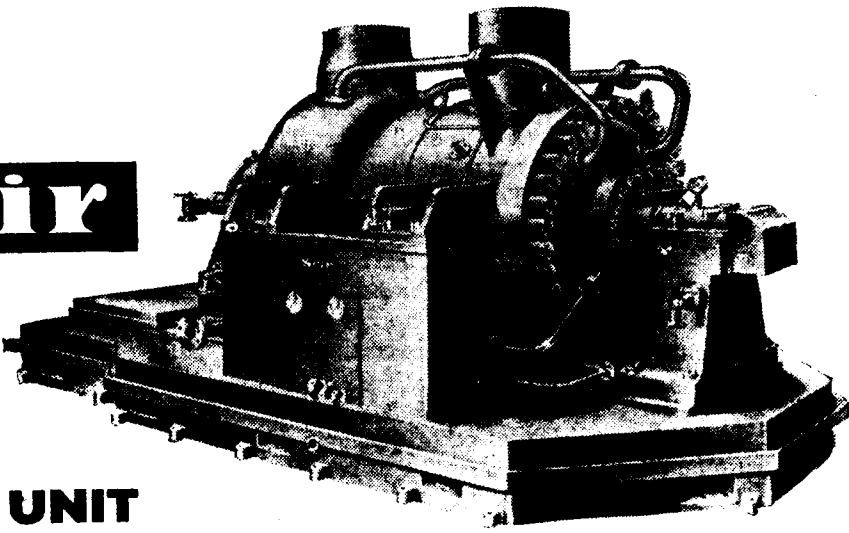
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years. Yet the planners are probably right in expecting fresh foreign investment to flow in at no more than £21 million a year.

Their modest expectation of the country's ability to expand its export earnings in the next five years is set out in the accompanying table. It illustrates not only the narrow field of manoeuvre in the export drive but also the uncertainties which complicate the task still further. Exports of cotton manufactures are expected to fall off and not return to the 1960 level until 1964-65. This is wholly due to the diversion of yarn to the hungry domestic market. The figures for jute and tea represent an even less tractable kind of difficulty. A poor jute season combined with a recovery in world demand for jute increased Pakistan's earnings by nearly £16 million in 1960/61. In the same season, a catastrophic drought in the tea areas reduced tea export earnings

to almost nothing. It is against this alternation of feast and famine that the forecasts have had to be made, and the planners have very wisely preferred to err on the side of caution.

But the necessary modesty of their calculations leaves unsolved the basic dilemma of the economy. Simply to maintain its present rate of production and growth, imports ought to amount to £1,032 million over the five years of the plan. Thus, even before there is any question of a development plan, the balance of payments shows an unfavourable gap of £188 million. To this must be added the entire foreign exchange component of the plan—£634 million. The success of the whole enterprise turns on Pakistan's ability to attract—in loans, grants, commodity aid and private investment—the equivalent of £820 million in foreign exchange over the five years.

THE ECONOMIST DECEMBER 2, 1961

Foreign Exchange Earnings

(Revised projections for Second Five Year Plan)

	£ million		5-year total, 1960-61 to 1964-65
	1959-60	1964-65	
Raw jute.....	57	61	315
Jute manufactures	17	25	111
Raw cotton....	13	19	82
Cotton manufactures.....	17	17	67
Wool.....	6	6	29
Hides and skins..	7	5	27
Tea.....	4	2	4
Misc. exports..	18	29	112
Invisible receipts	21	20	97
Totals.....	160	184	844

PROSPECTS FOR PROGRESS

PROSPECTS FOR PROGRESS 1 The Domestic Scene

THE outlook for Pakistan as its second plan develops is much more encouraging than at the beginning of the first plan, and very much better than in 1947. Many earlier weaknesses are on the way to correction. The present leaders' devotion to the national interest is not in doubt. Within the administration, a wholly new interest in the problems of planning and executing development has ousted the complacent belief that a well trained "generalist" could turn his hand to anything—a parallel to India's discovery that retired railway managers cannot run every type of public enterprise from refineries to steel mills. There is a movement toward substituting effective indirect controls over the economy for direct regulation. The result may be not only gains for industry in terms of speed and flexibility, but also the release of first-class official minds for the much more complex problems of agriculture, where there is no present alternative to direct governmental action since there is no eager class of entrepreneurs. The "wind of change" in administration is veering to the quarter of greater efficiency and speedier decision.

The outlook for the plan in the short run is thus reassuring. The longer run inevitably poses other questions. President Ayub Khan's autocracy is mild. It has rusticated certain politicians, removed some critics, and censored certain views; but it does not exercise anything like a pervasive control over popular opinion and activity. The educated middle class are somewhat restive. They will grow more so. They will also grow in numbers and influence as the educational plan turns out hundreds of new graduates every year. If Pakistan's promised constitution can combine executive stability with genuine consultation and representation, if its economy can grow to provide employment and hope for the new men, they may become caught up in the exciting task of nation-building. But they are intellectually too alert and are increasing too fast to accept indefinitely political or economic stagnation. Their discontent is particularly lively in East Pakistan.

A similar question mark hangs over the question

of mass support for the regime. So far there is a good deal of acquiescence. But the longer run, on any historical analogy, should be more difficult. Pakistan is passing through the first stages of modernisation and capital accumulation. These are usually years of strain, since a people who are by definition poor have to begin to save and the extension of urban life and the market economy creates all manner of social and personal tensions. Moreover, in any society relying primarily on private enterprise for its development, industrialisation implies the emergence of entrepreneurs accumulating enough capital to carry investment further, who can easily look like exploiters to the men lower down. If, as in parts of Latin America, *nouveaux riches* in the city form a political and social alliance with *anciens riches* in the countryside, the situation is virtually a recipe for Castro-type revolt.

There seems no immediate danger of this kind of social upheaval. Urban workers are a tiny minority—there are still under a million registered trade unionists in a population of over 90 million. The farmers in East Pakistan own their own land. In the West, a first essay at land reform has at least broken the old immobility. The Moslem faith may continue to provide a strong social cement, especially in the daily confrontations of the village *panchayat*.

Yet East Pakistan presents especial risks. Poverty is greater there, development is slower, an almost colonial sense of dependence on the West wing aggravates local grievances. Natural disasters—violent typhoons on the coast, drought in the hills—have eaten away the economic margin in the last two years. The president has appointed a governor of energy and goodwill in the person of General Azam Khan, but it cannot be said that he has made any really significant improvements so far. However, government spending on development is now to increase in the East wing—from £74 million during the first plan to £400 million in the second. In fact, the increase is so sharp that there is some doubt whether the administrative structure can carry such a load. In addition, if the United States agrees to a large programme of extra



Gen. Azam Khan

THE ECONOMIST DECEMBER 2, 1961

releases of surplus commodities, most of them will be channelled to East Pakistan. There is no doubt that the government intends to carry through a much more vigorous programme in the next five years. It may come in time to check a disturbingly widespread mood of discontent.

In other words, the political prospects depend upon the success of the plan. Population will go up for decades to come. The back-

PROSPECTS FOR PROGRESS 2 Neighbours and Friends

THERE can be no question about the settlement that would give the greatest hopes of peace and progress to both Pakistan and India. President Ayub Khan's definition has already been quoted—a reconciliation permitting them to concert the defence of the sub-continent. To it one might add a greater degree of economic co-operation and trading to ensure that the growth of each developing economy helped the growth of the other. At present, commercial exchanges have not recovered from the long wrangle over devaluation. The Pakistan rupee was not restored to parity with the Indian rupee until August, 1955, and no real effort has been made to expand trade since then. Today India provides only about 5 per cent of Pakistan's imports and buys less than 4 per cent of its exports. If a determined effort were made to settle the outstanding issues of debt and compensation between the two countries, the way would be opened not merely to resume normal commerce but to increase it as both economies expand. In the epoch of the "common market," it is tragic that one of the greatest potential markets in the world should be subjected to arbitrary divisions. There must, in any case, be long and intimate co-operation over the carrying out of the Indus Water scheme. Ideally, it should be extended to wider fields.

Yet it is impossible to count on such an outcome. Pakistan may now have enough national self-confidence to enter on a new and more co-operative phase in its relations with India, but the Indians show little sign of giving a high priority to reconciliation. There is not the slightest hint of any reconsideration of Kashmir. And without compromise over Kashmir, no real political détente is possible.

Could outside agencies help to bring it about? Here one must consider both the negative influence of communist expansion in south-east Asia and the possibly positive influence of the West's deep interest in the development of both countries. Hitherto communist pressure has caused the two governments to react in opposite ways. Pakistan has joined the western-inspired defence pacts—Cento and Seato. India has been a leading exponent of the policy of avoiding entangling alliances and pushing to the limit a readiness



Jute under the microscope

wardness of women's education in a Moslem land is one more obstacle in the way of birth control. Unless economic growth can reach 3 or 4 per cent a year, the hopes of a modest increase in well-being will be illusory. If it falls even lower, a catastrophe lies ahead. But beyond a certain point, the prospects for development lie outside Pakistan's control. They depend on external peace and outside support.

to believe in the communist powers' unaggressive intentions. While Pakistan was joining in military alliances, India was drawing up the *Panch Shila*—the five principles of peaceful co-existence—with the Chinese.

Theoretically, the collapse of the *Panch Shila* approach before the reality of Chinese repression in Tibet and Chinese invasions of Indian territory should have lessened the gap. But in fact India rejects as strenuously as ever any military links with other nations and, if anything, suspects Pakistan even more sharply than before of using its military connexion with America to strengthen its position not *vis à vis* the communist powers but in the dispute over Kashmir. President Ayub Khan, feeling rebuffed after what were genuine overtures of conciliation, now makes no secret of his distrust. As we have seen, he went out of his way in Washington in July to deplore the new attention shown to India by the Kennedy Administration and to assert that Pakistan alone is a reliable friend in Asia. (It is, in part, disillusion with western refusal of direct support over Kashmir that has led Pakistan to accept Russian

AID TO PAKISTAN

(allocated up to March, 1961)

	£ million
United States	512.7
World Bank (and IFC).....	86.7
Canada.....	46.1
Australia.....	8.1
Ford Foundation	6.1
United Nations	5.9
New Zealand	2.0
Britain.....	1.7
West Germany	0.3
Sweden.....	0.2
Japan.....	0.1
	670.0

assistance in oil prospecting.) Thus the poison of the unresolved Kashmir conflict continues to affect every part of the tragic, wasteful, potentially disastrous relations between the two neighbours.

Could the western powers exert any influence to improve this relationship? Any direct political effort would be most unwise. The post-colonial relationship between Asia and the West has to be based on strict respect for sovereignty and realization that political interventions, however well meaning, dissipate good will. Yet, as the Indus Waters agreement has shown, indirect influence, aimed at developing recognisable common interests and backing them with imaginative assistance, can avert disaster and create a climate for better things. In the context of 1961, the chief contribution the West can make to the stability of the sub-continent is to ensure that the development programmes in both countries go ahead and that their political disputes are not given an extra biting edge of economic stringency.

What are the prospects? Judging by the past, they are reasonably good. Over the last decade, Pakistan has received £670 million in



The Sukkur Barrage

aid from the West, and aid programmes will certainly continue. At present, three different but complementary approaches are being considered. The first two, at this stage, concern only the United States. After President Ayub Khan's visit to Washington, President Kennedy agreed to send out scientists and engineers to study Pakistan's daunting problems of water-logging and salinity within the framework of WAPDA's master plan. No decision has been taken on future finance. It is, however, arguable that there should be not only an American but a world interest here. As the tide of the world's population rises other deserts will need to be irrigated, and Pakistan could serve as a laboratory in which the possibilities are examined for the benefit of all mankind.

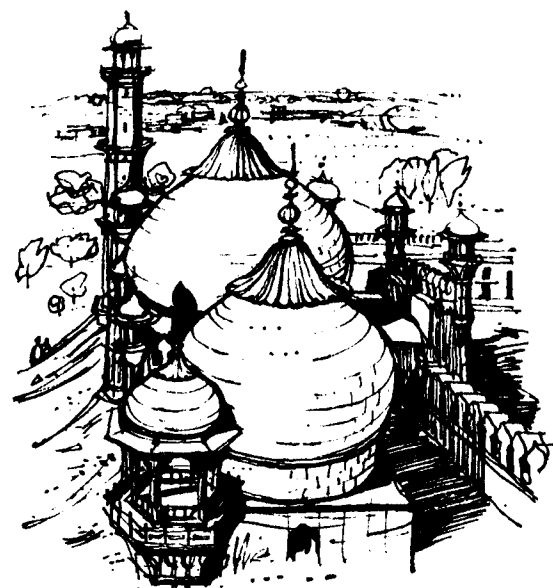
The second line of approach covers an expanded programme, under US Public Law 480, of releasing surplus grain, cotton, animal feeds, and some additional foodstuffs from American reserves. The United States is prepared to consider supplying some £230 million worth of such commodities—including 6,250,000 tons of grain and 30,000 bales of cotton—with the aim of allowing Pakistan to undertake a much more ambitious mobilisation of unemployed and under-employed labour, especially in East Pakistan. Any new wages would be spent almost wholly upon extra food and upon cotton cloth (at present the average Pakistani uses only a quarter of the average Indian's very low consumption of cloth). The chief aim of the extended PL480 programme is thus to permit a greater mobilising of domestic resources without unbearable inflation.

There remains the third and most vital line of approach—the foreign exchange needed to keep both the economy and the plan on the move. In this year's negotiations with the western aid consortium*, the Pakistanis were unlucky. Only a few weeks earlier, India had been guaranteed virtually the full amount requested for the first two years of its third plan—£820 millions. By the time Pakistan's turn came some members of the consortium had grown weary of well doing, and the sum offered to cover the first two years of the Pakistan plan—£190 millions—proved to be only about half the estimated need. No doubt the American administration, in its new imaginative and generous mood, could have bridged the gap. But part of this mood is a shrewd determination to see that its western partners foot their share of the bill.

Britain and Germany had just increased their offers to India under American pressure. They were not so amenable when Pakistan's turn came round. However, the consortium will meet again and Pakistan's request for a firm figure of some £360 million for the first two years of the plan will be reconsidered.

It is to be hoped that in spite of the alarms in Europe, the uncertainties of Britain's economy (some of its contribution might legitimately take the form of "tied" loans) and the preoccupation of all the European partners with the next phase of negotiations in the Common Market, Pakistan's plan will receive a more favourable response at the next meeting. Pressures in Europe are real and

* The United States, Britain, West Germany, Japan, Canada, France and the World Bank.



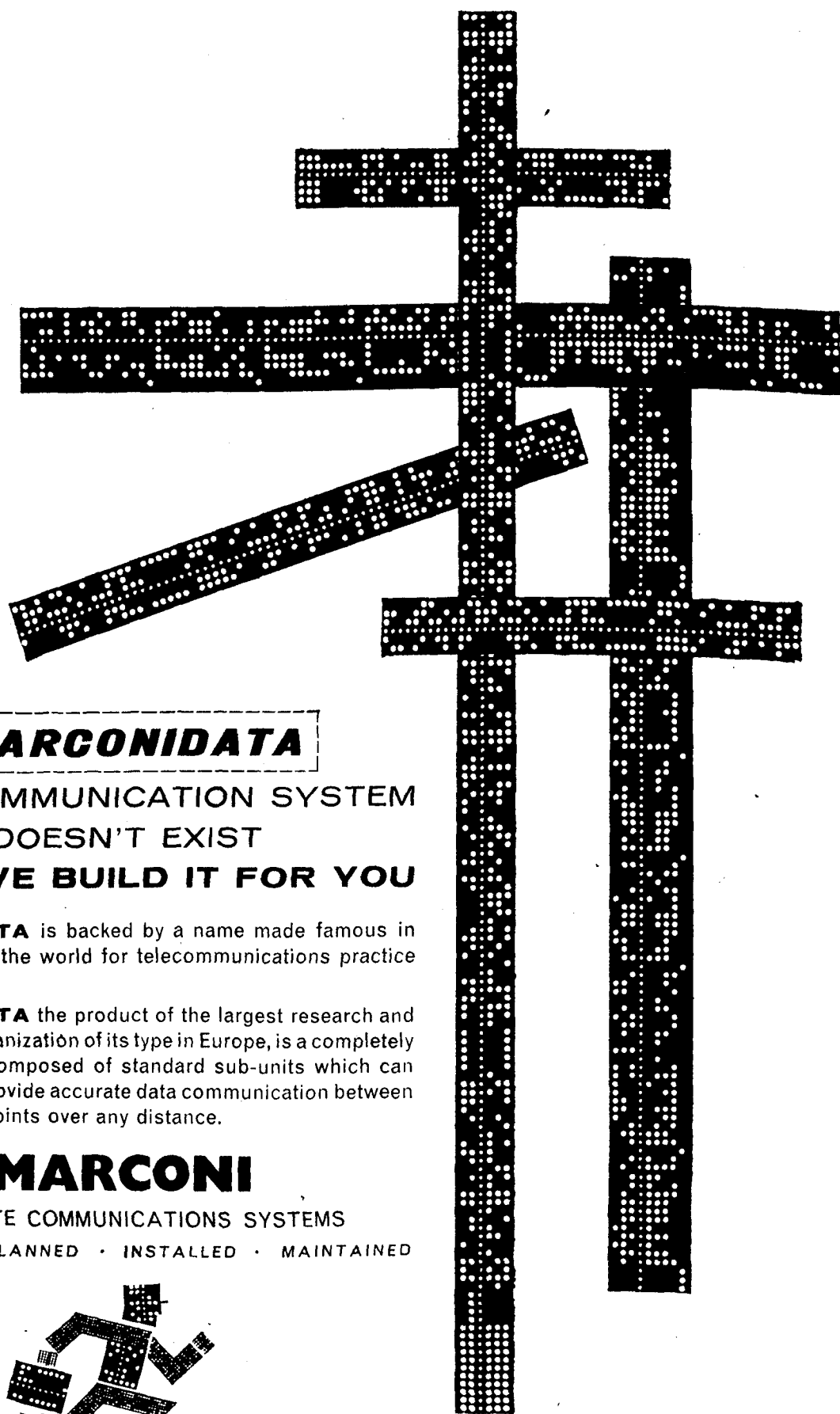
harsh enough. But the western Powers should have learnt by now that to neglect apparently less urgent problems simply allows such problems to explode into current disasters with all the more inevitability and speed. The communists conduct their strategy on a global basis, pressing here, there and everywhere while the western powers tend to rush about after them, the fire engines always one step behind the fires. Today, apart from Kashmir, there are no major fires threatening the Indian sub-continent. But this condition depends absolutely on the fulfilment of both the Indian and the Pakistan plans. There is no sense in waiting until the fires begin. And the plans offer the best and most immediate means of seeing that they do not break out.

One must remember that in proportion to the needs of a densely populated land, the Pakistani second plan—like India's third—remains very modest. Even if all goes well, the annual increase in income per head will not be more than 2 per cent, and this from a base of about £23 a year. All that the whole great effort proposes is that the economy should begin to lift off the depths of desperate poverty. Men and women are not going to "live it up" at western expense. For millions of them, the plan represents the marginal ability to live at all. Without it, the present relative peace of the sub-continent would founder in ruin or anarchy.

IF the western powers decide to meet Pakistan's full need for foreign exchange over the next five years—£820 million—the annual contribution is not much more than one-sixteenth of one per cent of their combined national income, a sum which they smoke and drink away every few weeks. Even if the plan were an irresponsible gamble, it could be carried without a ripple on the surface of western prosperity. And it is not irresponsible. The Pakistan regime has shown capacities for leadership and common-sense rare in the turbulent first decades of independence. The administration has surmounted unimaginable difficulties and is now transforming itself to become a more effective instrument of economic growth. The plan itself has been carefully prepared. The task it proposes are practicable in the view of outside experts. No one can guarantee that the effort will fully succeed. Wars, invasions, floods, all the hazards of monsoon agriculture cannot be ruled out. But western nations have had in the past to act on odds considerably less favourable than these. And if they have now decided to act only upon certainties, they can be certain of only one thing: that the forces of history—which again and again have favoured the venturers, and even the gamblers—will begin inexorably to pass them by.



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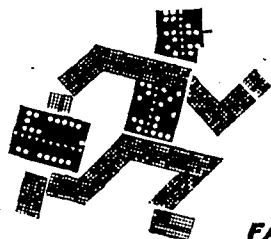
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THE BUSINESS WORLD

Motor Profits Now

IT takes a lot to depress the chairmen of the two remaining large British car manufacturers. Lord Rootes can hardly nowadays be as optimistic as Mr George Harriman of the British Motor Corporation; but he was able to tell shareholders in his annual statement last week that Rootes' new models have been enthusiastically received, even if the losses from the company's recent strike may not be made good in the rest of the current year. Mr Harriman feels it necessary, "though gloom and despondency are all the fashion," to assert "my firm confidence in the future of the industry in general and of the British Motor Corporation in particular." The group has demonstrated this confidence by holding its dividend, though this is only just covered by profits; Lord Rootes decided to cut his dividend from 12 per cent to 4 per cent, though profits were still large enough to cover the old dividend 1½ times. The losses from the strike at Rootes must be a heavy burden; if they are so large that they may not be recovered this year, the figure may well exceed £3 million.

Both companies can be fairly satisfied with their performance last year, for neither did worse than the industry as a whole. Vehicle output fell 21 per cent in total, but that of BMC fell only 10 per cent, from 669,000 to 601,000, and that of Rootes about 18 per cent. BMC was sustained through the year by the growing popularity of its baby cars—it took the public more than a year to realise their merits, and forget the somewhat porous reputation that the earliest examples acquired—and by the growing practice of buying a light van to use as a car. These successes allowed it to increase its share of British makers' sales on the home market from 39.9 per cent in 1960 to 41.2 per cent in the first half of 1961. The output of light vans rose 45 per cent; all types of commercial vehicle accounted for 33 per cent of BMC output. Where the group did lose was in export markets. Shipments to the United States, in particular, were 69,000 fewer than in the previous year, representing more than the total fall in the company's output. But its share of British car exports rose from 33.8 per cent to 39.9 per cent.

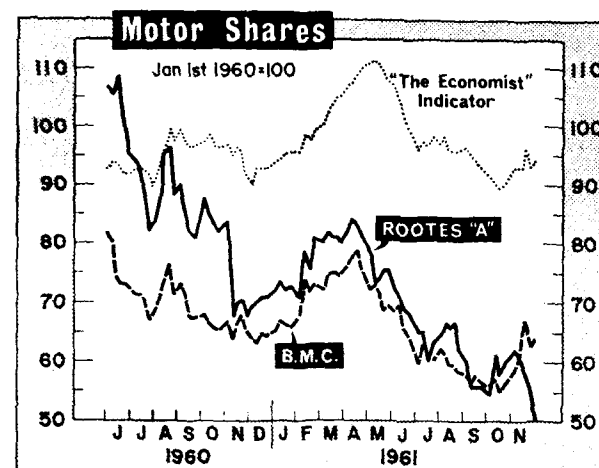
BMC thus strengthened its competitive position. But it is surprising that a fall of £35 million in sales should cut profits by £16 million in a year when there were no model changes. The price increases that the company made this autumn

suggest that its margins were proving inadequate. One might suspect, however, that the management did not cope as well as it had hoped with the problems of last winter's slump. The strike at Pressed Steel last April must have also hit BMC profits, by again bringing output nearly to a stop. In all, the company lost 34,000 vehicles from strikes during the year.

Rootes naturally suffered a bigger fall in profits than BMC; it was operating at only about 65 per cent of capacity, while BMC managed to run at 80 per cent. Even this rate of output is better than had been expected from Rootes in a year when it can have exported few cars to the United States—which had taken about a quarter of the company's exports in the previous year—and when its second best export market, Australia, also reduced imports sharply. But Rootes was able to hold on to a steady 10 per cent of the home market, while Vauxhall saw its share slide as sales of the old Victor died away, and Standard-Triumph's share fluctuated widely.

A RAPID expansion of van production did much to help Rootes last year; commercial vehicles accounted for over a quarter of its total production. The strengthening of this side of the business has been one of the management's chief innovations in the last few years, and it has paid off handsomely. The new forward-control light vans that the company introduced in 1959 seem to have done most to improve the company's standing in this market. But the company did well, despite these aids, to keep itself profitable when running at 65 per cent of capacity. And it does not look as if its non-manufacturing activities cushioned the fall in output. Rootes was among the first companies to reduce output in the autumn of 1960, whereas BMC was the last; and in consequence Rootes seems to have had a less serious stock problem and to have been able to raise output sooner in the spring. By preventing such abrupt fluctuations in output, shrewd management must have helped to maintain profits.

What are the prospects for these companies in the current year? Anyone who wants to invest in the motor industry has now to choose between them and the Continental companies. Ford and Vauxhall are in their parents' hands; to buy Rover is now really to invest in



commercial vehicles, and Jaguar has a somewhat specialised appeal with its one per cent yield. Most of the Continental shares offer pretty exiguous yields, too ; and now that Rootes offers something similar, the potential investor who wants immediate income out of motors finds himself driven back to BMC or nothing.

Nobody reading Mr Harriman's statement could doubt that he expects that the company will do better this year than last. Now that the winter has started and home sales have slumped without affecting BMC's belief that output can be kept as near capacity as possible until the end of January, there can be little risk that the company will suffer the same troubles as last winter. If home demand rises in the spring as it did last year, BMC should be able to keep at a profitable level of output throughout the year. The new models are one reason for the happier situation this winter ; dealers need to build up stocks of them. Another is the recovery in exports, especially those to the United States ; instead of sending no cars there, BMC is shipping 900 sports cars a week. Mr Harriman adds another reason for optimism : stocks of BMC vehicles throughout the world are falling, so that the prospects for exports are that recovery should continue.

Next year is an even more difficult one than usual for which to predict home demand for cars. If Mr Lloyd does nothing to stimulate demand, as looks more possible now that his wage freeze seems to be thawing, one of the factors that was being relied on to produce a rise in demand may have gone. But there remains the fact that the public is saving—or reducing its borrowings—now, and should therefore soon have more cash to spend on durables. And the Motor Show gave makers the impression that many people would spend this money on cars. BMC should be able to take at least as big a share as it did last year, though the competitive appeal of its modified medium-sized cars has yet to be tested against that of the new Victor and the Rootes models. And it is also too soon to tell what appeal the chromium-plated Elfs and Hornets of its baby car range will prove to possess. But the increased prices should anyway raise its margins. Its expansion programme will not increase capacity much this year ; the new assembly hall will not come into use until next August. But the company will have to carry the overheads of unfinished factories, and the cost of switching lorry and tractor production to Scotland.

Rootes's prospects for next year are dominated by the effects of the strike at its Acton works. When that ended yesterday after twelve weeks, it had cost the company fully two months'

output, at a time when its new models should have been helping to strengthen its position in the market. In August, the last month before Rootes was hit by the strike, its share of the market seems to have risen to roughly 12 per cent, though the Super Minx had not then been introduced. The price cuts on the old Minx and the Gazelle, and the introduction of the Singer Vogue, accounted for the rise. These, however, must have narrowed the group's margins, though the high prices of the Super Minx and Vogue should have the opposite effect—so long as these do not affect sales. Rootes now covers a wider spread of prices with its cars than before, and it should be able to keep a rather larger share of the home market. So, with production going again, Rootes can expect to be doing rather better than it was last year ; like BMC, it is sharing in the recovery of exports. It too has only a limited amount of new capacity to fill this year, now that it is making more models. The big rise comes with the new small car, in the spring of 1963. The present year might well have proved more profitable than last for both BMC and Rootes, but for the latter's labour troubles.

Both these companies have very large capital commitments. BMC invested over £20 million last year and seems likely to spend more this year ; outstanding commitments total £16 million and a further £36 million will be spent in the next three years—its expansion plans seem to be stretching and growing. Last year its liquid assets fell from £29 million to £18 million ; if profits should not rise this year, BMC would be needing to borrow by its end. Rootes was better placed last July, with cash exceeding capital commitments ; but the strike must have altered this.

Apart from the prospect of entry into the common market, which will face these and other British producers with the need to increase sales outlets there, BMC and Rootes face another common problem—keeping their new capacity busy. Rootes's ambitious plans for its small car may make its problems bigger than BMC's. It is unlikely that Rootes can match BMC's or Ford's prices, and it will be competing with them. If it can equal the engineering qualities of the BMC babies with more style, it might be able to get a reasonable share of the British market. But in a venture like this, the smaller firm is facing a dilemma. Should it stick to the medium-sized market, where its volume is comparable to that of BMC and Ford, but the scope for expansion is limited ? Or should it beard them in the small car market, where they are well established and its volume is likely to be smaller than theirs and its costs higher. Since the war, Rootes has chosen the first course : it seems now to have changed its mind. This may offer greater rewards—but at greater risk.

Pecking Order in Aviation

"The benefits of competition cannot be achieved painlessly."
—Air Transport Licensing Board.

PROFESSOR JACK and his colleagues at the Air Transport Licensing Board emerge with great credit from the marathon series of hearings during which they sought this summer to establish a new, competitive pattern for aviation in Britain. Whether in future their decisions are accepted by the Minister of Aviation or reversed by him, as the Cunard Eagle's licence to fly the Atlantic was withdrawn last week, the board has made aviation history, for it has defined, for the first time, the conditions under which reasonable men (as distinct from politicians) think that competition should be encouraged in the air and the limits beyond which they think it would do more harm than good. Conservative administrations have groped for a decade to find a criterion that would give independent airlines room for growth without undermining the nationalised air corporations. The board's own yardstick was explained on Tuesday in the lengthy preface to its judgment on more than 70 applications for new air routes inside Europe which it heard during the summer.

Briefly, the criterion amounts to this. There is room for a second British airline on any route already served by one of the two nationalised air corporations where it can be shown that the nationalised corporation could reasonably expect to continue carrying at least the same number of passengers after the new service began as it did before. Another way of putting it would be to argue that where traffic was growing fast enough to require extra flights with new aircraft, an independent airline should be allowed at the outset to provide this extra capacity, not BEA or BOAC. Applying this formula to some of BEA's routes, the board demonstrates that while it would check the growth of the corporation for perhaps the first year of the new service (but not, by definition, cut into the volume of traffic already carried by the corporation), BEA's traffic would soon start to rise again, but necessarily at a slower rate than in the past. This formula is based on estimates about past and future traffic, and the board quite deliberately discounts arguments of BEA showing that the corporation's long-term plans already took account of this future traffic. Plans, it hinted, can be changed at short notice.

This formula has its flaws, but it does at least give airlines some guide to what applications are likely to succeed—with the board at any rate—in the future and what may not ; without it, they would have to go repeatedly through the expensive and time-consuming process of putting each case to the test in order to discover what the board would wear. But of more relevance to the present differences of view between minister and board is the fact that here the board has spelled out precisely how it interprets its terms of reference under the new civil aviation act. This interpretation differs at several important points from the views expressed by Mr Thorneycroft last week when he countermanded the board's decision to allow Cunard Eagle to fly on the North Atlantic and from those of Sir Fred Pritchard, the commissioner appointed by Mr Thorneycroft to hear BOAC's appeal against the board's award to Cunard Eagle. Both appeared to reject

the idea, cardinal to the board's formula, that some check would have to be accepted on the corporations' rate of growth if *lebensraum* for the independent airlines were to be provided.

The minister now has to make up his mind whether to stick by his own interpretation, which would make nonsense of the new Act, or whether to climb off a creaky limb with what grace he can muster. Meanwhile, it is worth considering whether the board's formula for competition is a workable one. Applied to this summer's applications, it gives the independent airlines only one-third of the routes for which they asked and not starting until 1963. On the remaining two-thirds the traffic was not regarded by the board as potentially buoyant enough. These licences will indeed allow them to fly into almost every country in Europe this side of the Iron Curtain, except to Germany and Cyprus, and to several points inside the British Isles. But the board's formula does not always allow them to fly to the particular destinations they wanted, nor do the licences add up decisively to an economical network for each operator. The formula will not provide enough work for the aircraft that the independents now have on order, and which they presumably would regard as the minimum fleet that they could make to pay. This is the kind of gift horse whose teeth have to be looked at, however ungraciously, because there is a real danger that the beast will eat the independent airlines out of house and home.

THE success of the board's policy is bound to depend also on the reaction of foreign governments to it. When the board recommended a licence for Cunard Eagle to fly on the North Atlantic it knew that the United States government was unlikely to raise difficulties at the other end ; not so in Europe. With the exception of Holland, the Scandinavian countries, Eire and possibly Belgium, European governments may well allow in a second British airline only if BEA cuts its flights proportionately. This would be intolerable ; there is no justification for asking BEA to surrender existing traffic to the independents, nor does the board intend this to happen. If it is assumed that the air agreements negotiated between the governments of most European countries work on a rule of thumb formula that divides traffic 50-50 between the two national carriers, it could in theory be argued that the arrival of a second British airline does not upset this ratio, since the new airline is merely providing extra services that would otherwise have been put on by BEA. This would be the proper line for the Ministry to take. But, unfortunately, matters are not as simple as that ; in addition to these agreements which are necessary if the air service is to be flown at all, BEA's silver-tongued negotiators have made their own private arrangements with the majority of European airlines which have the effect of allowing BEA to carry a great deal more than its formal 50 per cent of the traffic. It is these pooling agreements that may make life difficult for the independents unless BEA decides to be "co-operative," which would be asking a lot. In the case of France, for example, the board frankly admitted that the only way for the independent airline, British United Airways, to exploit its licence for two

BRITISH MOTOR CORPORATION						ROOTES MOTORS				
Years to July 31	1957	1958	1959	1960	1961	1957	1958	1959	1960	1961
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Sales	*	265,000	265,000	346,000	311,000	*	*	*	*	*
Gross profit	7,828	20,992	15,699	26,933	10,154	Dr. 498	2,097	3,916	4,187	
Net equity earnings	2,113	8,953	6,975	13,060	5,475	Dr. 299	926	1,834	1,737	976
Net equity earnings per cent †	8.8	37.6	27.8	51.5	21.6	Nil	32.2	60.8	62.8	493
Dividend, per cent †	9.6	13.5	18.3	20.0	20.0	4.0	8.0	12.0	12.0	16.1
Net equity assets	54,154	61,207	64,392	72,784	72,807	11,289	12,208	13,809	18,104	18,903
Cash flow	5,113	10,713	7,584	13,307	5,855	9,927	2,101	2,668	2,987	2,305
Gross profit/sales	%	%	%	%	%	%	%	%	%	%
Net equity earnings/net equity assets	3.9	14.6	10.8	17.9	7.5	...	7.6	13.3	9.6	2.6
Gross profits/net equity assets	14.5	34.3	24.4	37.0	13.9	...	17.2	28.4	23.1	5.2
* Not available.						† Adjusted to present capital.				

daily flights to Paris would be to join the Air France—BEA pool. How much competition is there in a cartel of three?

It is noticeable that the board's new formula also establishes something approaching a pecking order among airlines. At the top are the two nationalised corporations, whose existing traffic must never be eroded. Below them in rank come the two independent airlines with the most vigorous backing from the shipping companies; Cunard Eagle and British United Airways. The two biggest shareholders in this latter group are Furness Withy and Blue Star Line, with 20 per cent each, followed by Clan Line and British and Commonwealth Shipping with 16 per cent each, Whitehall Securities and Mr. T. L. Guinness with 10 per cent each and the Hunting group with 8 per cent. The board said that there was little to choose between these two. It gave BUA the skeleton of a European network to add to its African routes, and Cunard Eagle one to Scandinavia and inside the British Isles.

A good deal lower down in this ranking come airlines such

as Silver City, also backed by shipping companies (in this case P and O), but ones that, in the board's view, are apparently reluctant to increase their investment to any significant extent. Silver City got no new licences for reasons that could be summarised by the board's comments on its application for flights to Marseilles and Genoa: "It did not appear to us that the applicant was willing to invest in the modern aircraft which will undoubtedly be required if this route is to be operated successfully." This is a statement of considerable importance, since it serves notice that the board has no time for airlines that are going to put less effort into developing routes than the corporations might have been expected to do.

This does not hold out much promise for airlines at the bottom of the pecking order, the small private and charter companies holding on by their fraying boot laces. Skyways, from which the Bibby line has recently pulled out, did not figure in the current round of applications, but several other small airlines did. With them the board was sympathetic

Crosses of Gold and Silver

A round-up of a remarkable week in international finance, in which the markets have done some quick homework on the principles of bimetalism and the British authorities have made one bow to gold and another to international credit.

Curiouser and Curiouser

JUST before last weekend bullion dealers were reporting a marked lightening in the demand for gold, and the London price dropped quickly from its effective support point of just under \$35.20 an ounce to \$35.15. Exactly why this occurred at a time when the exchange markets are spending their time deciding which of the major currencies is weaker than the other is not immediately apparent, but it is none the less welcome. It was a little strange, therefore, to learn at the weekend that whereas private operators were losing their preference for gold, central bankers were not; the United States showed a gold loss for the week of \$300 million, the largest on record, and almost entirely attributable to a conversion of dollars by the Bank of England.

There was no immediate reaction in the gold market, which remained quiet at the beginning of this week—though the revival in gold shares got a new stimulus. Then on Wednesday the gold bullion market was reawakened by the jolt given by the United States Administration to the silver market. This had long been expected, and the big speculative position that has been building up in silver has fundamentally no relation to the quite differently based speculation in the gold market. This did not stop some commentators from docketing the removal of the silver peg as another manifestation of weakness of the dollar, and the shades of bimetalism from putting in a reappearance.

There was no reaction to the rise in silver, it is encouraging to report, in the exchange markets, where sterling continued generally strong and the dollar generally weak. The

recent strength of sterling has been an interesting commentary on the power of the printed word. The words "devaluation" or "flexible exchange rates" have probably been used more often in British newspapers in the past three weeks than they were in the previous three years. This is not because devaluation is considered basically more likely now than it was a few months ago but because people have suddenly become less inhibited in using the word; and this is a distinction that exchange operators, so far, seem to have understood. They did react, however, to Wednesday's report that the Chancellor had told trade union leaders that Britain was facing the danger of devaluation. Although this drew the quick correction from the Treasury that the Chancellor had referred to this as a threat existing in July, not now, sterling was sold from New York on Thursday.

IMF Good—

THE one welcome item in the week's exchange news was a further repayment by Britain to the International Monetary Fund, of £50 million. This follows October's repayment of £100 million, and reflects a continuation, at a rather less hectic pace, of the inflow of funds. These repayments, which now cover some 28 per cent of the drawing of £535 million, increase *pari passu* Britain's standby facilities at the Fund, which could immediately be drawn on if the flow of funds were reversed. The July drawing was made exceptionally large, to achieve a decisive impact on the speculative mood. Now that the tide is running the other way it is obvious good sense to push the money back into the Fund—and this month Britain has repaid not only in

dollars but in marks and French francs. The Treasury points out, as it must, that the repayments reflect no corresponding improvement in the underlying balance of payments: they are being financed by an inflow of capital, some of it representing the reversal of leads and lags in current payments and some an inflow of foreign funds. There are as yet no statistical indications of its size. The latest figures of sterling balances published this week show a fall of £208 million in the holdings of non-sterling countries in the September quarter—but this was largely the result of repayment of Basle credits to Continental central banks. Allowing for this, it looks as if European balances rose in these three months as a whole. But balances of North American, Latin American and other non sterling countries fell—the residual group, which includes Iraq, showing a particularly sharp fall of £40 million to £250 million, compared with £340 million at end-1960. The balances of overseas sterling countries were unchanged at £2,604 million.

—Gold Conversion Bad

BRITAIN'S repayment to IMF was a constructive step for sterling and for world payments as a whole. Its conversion of dollars into gold the previous week was not. It is true that the United States Treasury, very wisely in the circumstances, has not voiced any criticism of this conversion, even in private. It is anxious to do everything to support the strengthening of sterling, since it recognises that the fate of the two key currencies is linked together. And it accepts the Bank of England's contention that one key currency must be backed by gold and not by another key currency.

This has long been part of the financial folklore; but has it, in present circumstances, any real basis? For it is surely difficult to put too much importance on the colour of the money by which sterling's external liabilities are backed when the total of that backing is itself a bare one-third cover. If all the sterling IOUs are presented, the bank will not be able to pay

but firm. It gave some new routes to the Liverpool-based company Starways. It said that it would have given Tradair the routes it asked for if that company could have found financial backers. Tradair is now in the hands of the receiver. Altogether, nearly a dozen small airlines may have gone out of business by the end of the year.

There are perhaps 60 private air companies in the country, about 30 of them operating passenger services of one kind or another. Some of them are well and sensibly managed, but conditions have been made increasingly difficult by competition from newcomers who have undercut their bids for holiday charter flights operated by travel agents—the small airline's bread and butter. Overseas Aviation, in particular, is said to have taken much traffic last summer from other small airlines, leaving them with a good deal of idle capacity. It is little comfort to them that Overseas Aviation is now out of business; the traffic lost to that airline has pushed several of them into the red as well. The fact that passengers of Overseas and of

another now dead company, Falcon, were stranded at times during the summer has made the board look with much more care on the financial resources of each airline, before granting licences for holiday flights this coming season. This takes time and meanwhile travel agents cannot wait. By long-standing custom, travel agents begin their sales campaign the week-end after Christmas; plans have to be drawn up and brochures printed long before then, and if the small British airlines are not able to get licences before the deadline, the travel agents simply have to go elsewhere, usually to foreign airlines outside the control of the licensing board.

This is a sad state of affairs and it suggests that the days of the really small airline may be numbered. The board itself thinks that much of their charter traffic will find its way on to the normal scheduled services run by airlines at the top end of the pecking order. Nevertheless, British aviation may be the poorer when small, enterprising and reputable companies like Air Safari and Tradair can no longer find a place in it.

Silver Off the Peg

THE United States Treasury has relaxed its grip on the price of silver sooner than expected. The speculative pressure had built up from rising demand for industrial and coinage uses, which were pressing on the United States source of supply. The monetary implications in the United States are discussed on page 904. The United States Treasury took 46 million oz of silver for minting its subsidiary coinage last year, and must have been responsible for a significant part of the reduction of 92 million oz in the Treasury's "free stock" of silver since the end of last year. American industry drew 22 million ounces from the free stock last year to supplement domestic production and imported supplies and presumably required most of it for genuinely industrial purposes. That still leaves room for a considerable volume of speculative purchases this year.

Though the US Treasury's vaults are not directly open to foreign purchases, buyers

in Britain did have the opportunity to participate in this silver-tipped speculation, though compared with the scramble that ended the International Tin Council's attempt to stem the rise in tin prices last summer, the silver speculation was an extremely refined affair.

Mainly because of heavy imports from China, supplies of silver imported into Britain rose by 10 million oz to 21 million oz in the first ten months of the year. Imports from the United States accounted for one million oz of this rise. Allowing for larger exports of silver bullion, alloys, coins and silverware, net imports so far this year have been greater than consumption in 1960. The initial rise in the price of silver—in London of 5½d. to 85½d. a fine oz for spot supplies, and 9½ cents to 101 cents an oz in New York—gave the short-term speculators their chance to take a quick profit. Business was substantial, but not as hectic as some people had expected; silver has by no means been a small man's speculation.

Many guesses have been made about what will happen following the suspension of silver sales by the US Treasury: the most plausible is that the price of silver will not rise very much higher. It must be remembered that the silver peg was originally a prop, and now that the United States will stop minting newly-mined silver, a significant part of the gap between new supplies and annual consumption will be closed—this is estimated to have been about 150 million oz in 1960. A comparatively small rise in the value of silver may do the rest. It might stimulate greater exports from Eastern countries, and a further rise would soon make the melting down of some silver coinage worth while. The US Treasury still has the remainder of its free stock which it may use to prevent a runaway in prices and manufacturers have presumably bought as much silver as they could. One difficulty might be that restrictions in the purchase of silver are rare, and the metal is now a more convenient hedge against inflation than ever.

OVERSEAS STERLING HOLDINGS

(End of period. £ million)

	Rest of Sterling Area	Non-sterling countries					Total all countries	Non-territorial organisations
		North America	Latin America	Western Europe	Other Non-sterling countries	Total		
1955	2,764	...	...	...	...	812	3,576	469
1956	2,730	...	...	...	...	692	3,422	669
1957	2,608	41	25	278	321	665	3,273	645
1958	2,519	58	18	408	350	834	3,353	623
1959 March	2,574	45	13	345	360	763	3,337	538
June	2,649	52	14	303	361	730	3,379	709
September	2,677	54	14	335	363	765	3,443	705
December	2,704	60	12	387	344	803	3,507	705
1960 March	2,670	58	25	408	331	822	3,492	688
June	2,674	91	41	489	319	940	3,614	661
September	2,577	133	60	632	341	1,166	3,743	604
December	2,480	303	65	699	340	1,407	3,887	549
1961 March	2,441	143	48	747	338	1,276	3,717	553
June	2,604	114	35	662	293	1,101	3,705	552
September	2,604	91	22	530	250	893	3,497	1,090

BUSINESS NOTES

THE ECONOMY

Slightly Sourer

ALTHOUGH it seems signs that British exports are becoming a little more competitive, the National Institute of Economic and Social Research, in its latest *Review*, is not as optimistic about the trade balance early next year as it was in September. The slowing down of expansion in Western Europe and the consequential loss of earnings in primary producing countries affect two markets on which British sales overseas depend significantly. The institute thinks that export performance may already have begun improving; but it also reckons that even a mild resumption of stockbuilding, after a period in which stocks have been run down, would strengthen the upward trend in imports. Both exports and imports may go on rising for a while; but there is less room for confidence that exports will rise much the faster.

The institute thinks that the Chancellor's July measures brought about a slight dip in national output between the second and third quarters of the year—an appreciable fall in consumption, probably some decline in inventory investment, outweighing a continued increase in fixed investment. But it feels reasonably clear "that the top of the current investment boom has almost been reached and that 1962 may see a downturn"; investment in manufacturing may be lower next year than this, and the increase of about five per cent planned in public investment is unlikely to offset this completely. Linking its prognoses abroad and at home, the institute concludes with cold detachment that "if the improvement [in exports] is not reinforced over the next few months, it will be clearer than ever that domestic restraint is not an adequate way of operating on the balance of payments, and the case for a major reappraisal of external economic policy will become powerful." This institute, which might be described as the best NED we have, modestly refrains from any further contributions to the chorus about planning.

Investment Uncertain

THE latest figures of new orders for the engineering industries and for machine tools suggest that the trend towards lower demand at home, but higher demand abroad, may now have been reversed. But since the August figures suggested just the opposite, one should not accept this too readily. While new orders for engineering and electrical products from the home market were two per cent lower than in 1960 during the third quarter of this year, they

were six per cent higher in September than a year before; export orders were four per cent above the 1960 level. New orders for machine tools have shown even sharper fluctuations. Export orders in September were six per cent below those received a year before, though from May to August they had been 50 per cent above the 1960 level; and they are said to have remained below the 1960 level in October. New orders from the home market in September continued the recovery that was noticeable in August, and although six per cent lower than a year ago they were showing quite an improvement on the preceding months; up to the end of July the average had been 20 per cent below 1960.

Monthly fluctuations such as this in orders received by industry are often no more than the result of the fortuitous timing of big contracts. New orders for engineering goods from the home market, for example, fell more in August this than last year; the rise in September might be no more than a reaction. The trends in orders for machine tools, however, might be rather more durable.

IN THE MARKETS

Good for Kaffirs

THE fall in equity prices that followed the shock of the electricity wage award was checked this week, and prices were on balance edging upward. The strong affirmations of "toughness as before" by the Prime Minister and the Chancellor had some influence, but confidence in financial stability is far from restored, and Mr Lloyd's reported remarks to the trade union leaders, even with the doubtful benefit of the subsequent official gloss, did not help it. For the equity market, the implications of financial toughness on the one hand and a renewal of inflationary strain on the other are far from clearcut: no one is sure, in the new investment climate of the sixties, whether inflation is still good for equities, and strikes are still bad.

The one section for which recent events have been plainly favourable has been the Kafir market. The *Financial Times* index of gold shares reached 61.1 in mid-week, about 17 per cent above its low point in July. This recovery has a twin base: increasing speculation about a depreciation of the dollar and other currencies in terms of gold, together with rather better

feelings about South Africa following the rise in reserves and limited relaxations in exchange control on foreign residents. Some London brokers are now saying that the South African authorities must before long lift these restrictions altogether, which would bring London prices back into line with those in Johannesburg. It should be noted, however, that further restrictions have been imposed this week on South African residents holding liquid assets overseas.

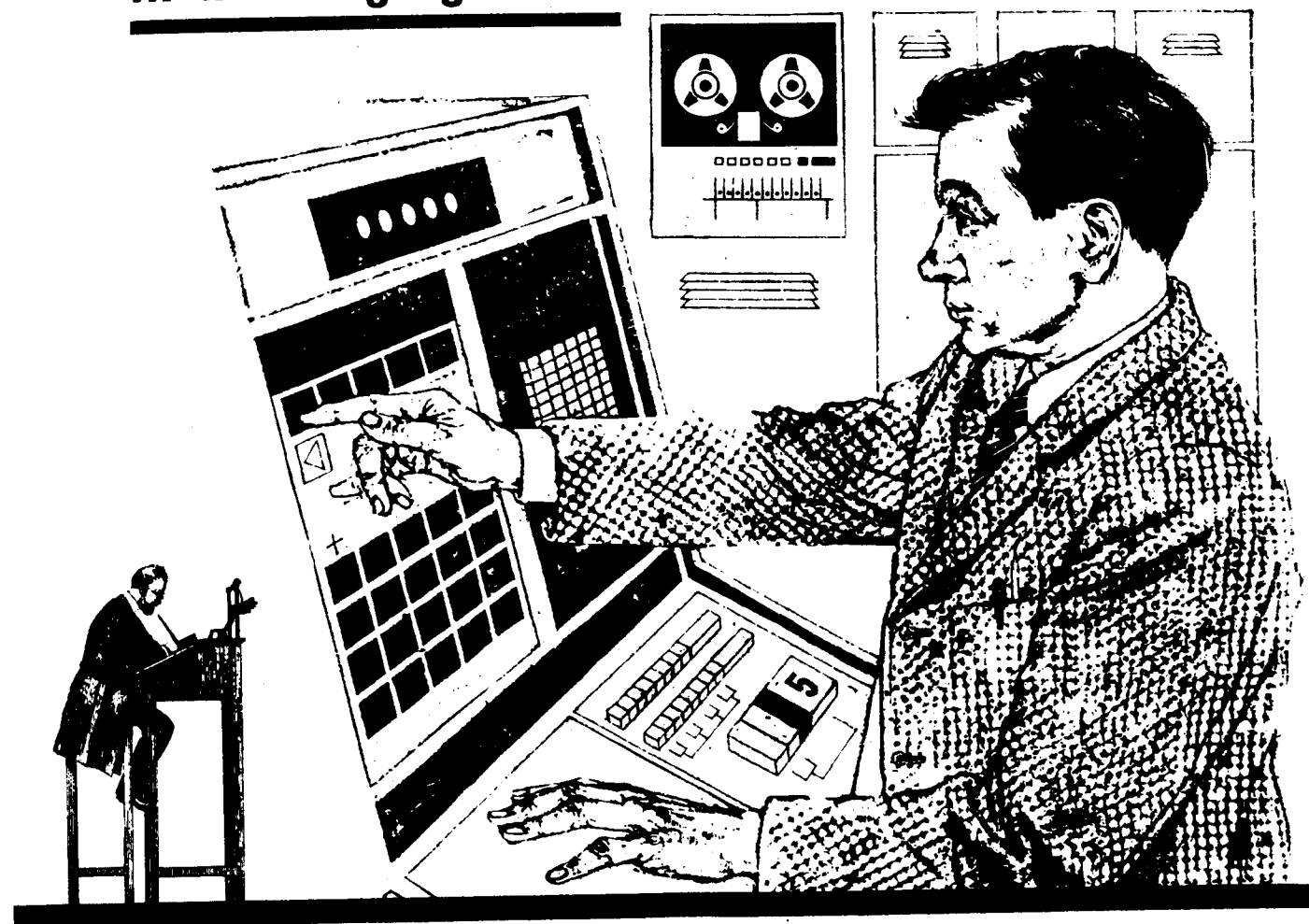
For gilt-edged, by contrast, the electricity award was an unmitigated blow, and while the market has presented a steadier appearance this week, the optimistic mood of the early autumn has disappeared. Institutions that were implementing important changes in investment policy, buying more fixed interest stocks and switching from short-dated into long, have been stopped in their tracks. The market believes that this week's better tone owes something to official grooming: the authorities are now preparing to deal with the £758 million of 4½ per cent Conversion stock that matures on February 15th. A conversion issue is expected before Christmas, and the intake of the maturing stock by the government broker as well as the market impression that the authorities want to create a more favourable basis for the conversion have contributed to the firmness of short bonds. The market is guessing that the authorities will offer not only another short—1965 and 1967 are two possible dates—but also a medium dated stock, which the government broker needs if he is to retain his grip on the market. Substantial sales have been made in recent months from the "long tap," the 5½ per cent 2008-12 stock, but it seems unlikely that the authorities have come near the end of it yet—£500 million was issued in October last year. The market is hoping that part of the maturing stock will be paid off in cash. This would boost bank liquidity, and the authorities have to weigh whether this is a time to do so.

GAS

Money for Methane

ABOUT £7 million or more" was the Gas Council's estimate a month ago of the cost of the two specialised tankers that are to be built to carry methane refrigerated to Britain. "Or more," it appeared this week, meant "or £10 million." This is the sum that is now to be raised in the City by the two companies set up to build the tankers, subsidiaries of Conch International Methane and of Houlder Brothers respectively. These vessels will be

in a changing world



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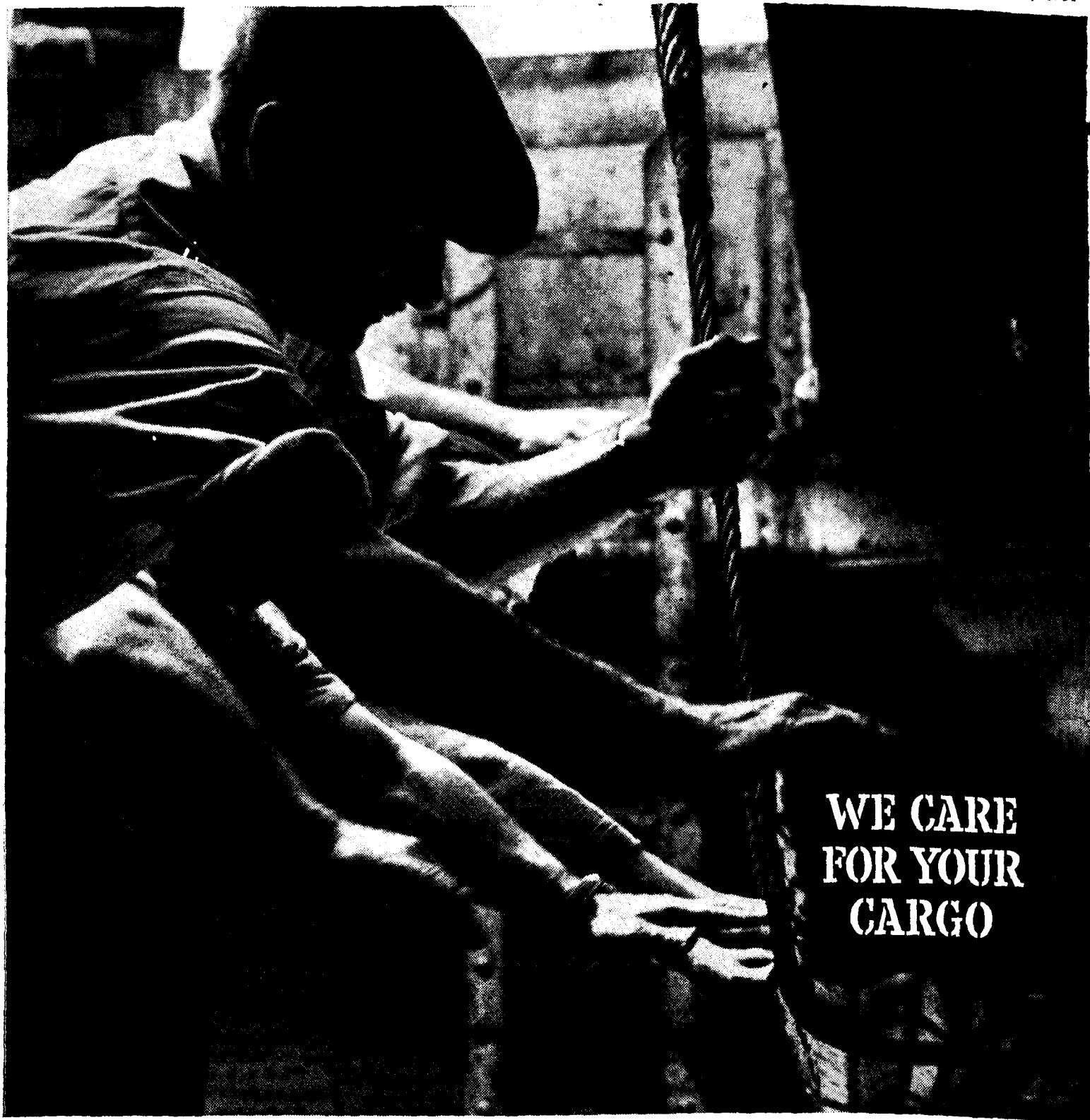
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THE ECONOMIST DECEMBER 2, 1961

let on bareboat charter for 15 years to British Methane Imports, a company owned half by Conch and half by the Gas Council; but the ultimate security, in effect at least, is the council's long-term contract to buy methane from Algeria via this operation.

The smaller part of the finance will be provided on loan to the two shipowning companies by the banks, and repaid in the earlier years of the charter. The greater part will come mainly from insurance companies. This will take the form of cumulative preference shares issued by the two companies, carrying a rate of 8 per cent, to be gradually redeemed during the term of the charter. Until the money is actually put up, there will be the normal holding commission to lenders of one per cent.

Inside Britain, the Gas Council will be investing £18 million in other elements of this scheme to supply cheap gas; at the other end in Algeria Conch and the French will be involved in another £14 million on a gas liquefaction plant. The council has clearly been anxious to minimise drawings upon public funds for this investment. Sir Henry d'Avigdor-Goldsmid in the Commons this week suggested that precedent set in the financing of these tankers offered "a convenient way of getting round the ruling of the Treasury" on public investment. But the whole methane deal has Government approval, and the council is not itself directly the investor, even if it is providing the really significant security in its promise to buy the methane that will pay off the charter. One consequence of keeping this actual investment outside its own responsibility—and the ships after all will be operating abroad in a business in which the council cannot be expected to have any competence—is simply in cost. The rate of interest charged on Exchequer advances to nationalised industries is geared to the long-term rate of Government credit; at present it would probably be at about 6½ per cent, not 8. That, certainly, is a rate with a Treasury guarantee; but any binding contract entered into by a nationalised industry, ultimately, has that guarantee too.

COAL

More Expensive for Some

AT the end of 1960 the National Coal Board's accumulated revenue deficit after paying interest came to £78 million, which was £16 million more than the board's internal funds could cover: it is authorised to borrow from the banks in such circumstances, "but it could not then secure necessary accommodation from the banks." The Minister of Power then arranged to advance this sum temporarily to the board. Its operations this year will mean a current deficit and increase this margin outstanding over internal funds, and may do so again next year; so this week the Minister sought authority from Parliament to advance up to £50 million up to

BUSINESS NOTES

the end of 1962. This is separate from the board's borrowing on capital account for fixed investment, long-term and short-term limitations which have already been set by Parliament. Mr Wood obtained his authority; the board, in the meantime, announced increases in a number of coal prices and which is approaching key wage negotiations with the miners, came in for much criticism and unsolicited advice.

The price increases announced this week are at least—and at last—selective. They are confined to coals produced in Scotland and the North West, another division losing very heavily; to anthracite, of which consumers have always been anxious to get more than was available, at prices that have never covered the full cost of mining it; and of large coals, which are costly to produce and hold back the efficiency one can achieve with mechanisation. There would be no reason to quarrel with these selective increases, which are better than general increases right across the whole coal supply, if they had been applied equally. They have not, in fact, been applied to domestic consumers, who must be among the largest consumers of them; the board has said it may have proposals to make about house coal, but not this winter. If it may consider the domestic market much more vulnerable to competition than those industrial markets to which it is raising the prices, there could be some commercial argument for this. But surely it is not worried about pricing itself out of markets that it can hold only by selling coal at a loss.

BUTTER

Double Dutch to the Irish

DESPITE their prickliness and procrastination, all but one of the exporters of butter to Britain who attended the GATT conference in September have now meekly accepted GATT's solution for the butter problem. This would reduce exports to Britain by 20,000 tons in the six months to the end of March by cutting supplies from countries other than "traditional" sources—Australia, New Zealand and Denmark—from 60,000 tons in the corresponding period a year earlier to 36,000 tons. Only the fighting Irish—offered a quota of 4,000 tons against exports last year of 10,000 tons—still refuse to submit.

Quotas for other suppliers are conditional upon control of all imports. Fulfilling a promise made earlier this month, the Board of Trade has accordingly scotched all further imports of Irish butter. Since Eire is not a member of GATT, an anti-dumping duty is the most convenient weapon, and it was imposed this week. The degree of dumping has been assessed at 20s. a cwt, but adding a round sum of 200s. a cwt would have served as well: the dearest butter on the market costs little more than 300s. a cwt. New Zealand raised the price of its butter 20s. to 270s. a cwt last month, but has not

yet made any further increase in its prices.

One would have thought that during the many tedious discussions of the butter problem this year all that could be said would have been said. But in setting out their objections to the GATT scheme in a white paper, the Irish still have some pungent comments to add. This paper gives the first authentic account of the GATT negotiations which the United Kingdom has attempted partially to conceal (like weightier negotiations) in an ineffective smokescreen.

In Irish eyes, all exporters were making losses and were therefore technically guilty of dumping when the price of butter dipped to 250s. That should have debarred New Zealand and Denmark from making their applications for anti-dumping duties to the Board of Trade. Eire claims to be "one of the oldest traditional suppliers of butter to this market"—an uppercut aimed at these two competitors. It also claims the lowest milk prices in Europe and the highest consumption of butter per head—a jab at European suppliers who have been asked by various butter bodies to reduce the surplus by eating more butter and milk products themselves. If, Dublin says, all Europeans ate as much butter as the Irish, then, bejabbers, there would actually be a shortage.

The Irish case—it encompasses the virtual disappearance of Eire's £5 million egg trade with Britain since 1950 and the fact that among butter exporters only Australia and Eire run a trade deficit with this country—is evidently more confusing and exhaustive than intentionally hypocritical. A group of grocers in the north-west has protested at the duty on Irish butter and calls for "a full inquiry" into international butter supplies. Heaven forbid! Enough damage has already been done.

STEEL

Board and Authority

BRITAIN'S Iron and Steel Board has a good deal more power over the British industry than the Luxemburg High Authority has over European steel: what will happen to it when Britain joins the common market and ECSC? This is the main question overhanging this issue inside the British steel industry today: in a London discussion this week Mr C. R. Wheeler, president of the British Iron and Steel Federation, made no more than a discreet reference to it, but Dr van Kleffens, London representative of ECSC, offered a detailed comparison of the differences in powers between the two supervisory bodies. There was no formal contribution from the board itself.

Dr van Kleffens pointed out that the Iron and Steel Board

has jurisdiction over a wider range of products than the High Authority; can arrange for the supply of raw materials itself, and [advise the government to] provide production facilities that it con-

siders necessary but private steelmasters won't install; has to approve all private development; may order the cost of transport to be published; can levy contributions for payments related to the import and distribution of steel-making materials.

The High Authority's powers on all such issues are more circumscribed: but it does have powers to guard against internal levies and quantitative restrictions in member countries' discrimination and special taxation subsidies and cartels, with which the board is much less concerned.

The effective future of the board when Britain goes into Europe is certainly a

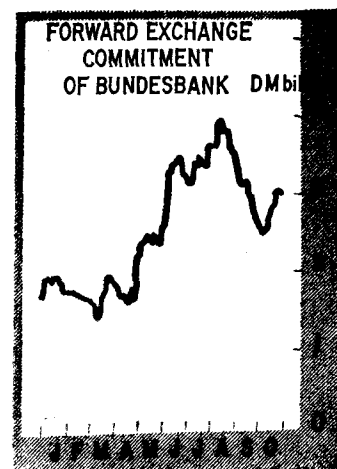
matter of some uncertainty: whereas the BISF, which for some years perhaps has been in relative decline, may be on the way back to somewhat greater strength. Mr Wheeler commented modestly: "Certainly the steel federations of the six present-day Community members have taken on new and important functions since the opening of the common market: and our federation may possibly follow the same course." His final words may indeed have indicated the direction in which he feels the federation's functions might develop: "We have all I think learnt a great deal since the bad days of the early thirties about the wastes of reckless unfair price cutting in a highly-capitalised industry such as steel."

Das Swapengagement

THE Bundesbank's autumn review of the German economy includes two new items, a chart of the bank's forward exchange commitment and a table of foreign borrowing by German industry, which have a special international interest: no other central bank publishes this information. The chart traces the Bundesbank's forward commitment on the re-purchase of dollars against marks from the commercial banks, mainly in connection with the transfer of short-term funds to foreign centres. These covered transfers rose sharply under official stimulation after the mark revaluation. The turn-round in German reserves after July, however, put pressure on liquidity and the banks reduced short-term balances and investments abroad by DM 1.5 billion from mid-August onwards. At the same time official policy also shifted: the Bundesbank announced that it would re-purchase dollars at a discount of one quarter per cent instead of at the spot rate (earlier it had actually offered a forward exchange premium) and the minimum forward swap period was increased from two to four weeks. By the end of September the bank's commitment was DM 2.6 billion. At the same date total assets of the banks in foreign money

markets were DM 4.4 billion, and short-term credits were DM 1.2 billion, which suggests that despite earlier losses after revaluation a substantial part of these assets were not covered by a forward exchange contract. In October the banks again put money abroad as the money market became fairly liquid and the Bundesbank reduced the yield on money market paper. Last week, a further cut was made in minimum reserve ratios, restoring them to the level of October, 1959, to help the banks over the extra liquidity demands of December.

Foreign borrowing by trade and industry has for some time been an element of growing importance in movements in reserves, especially at times of currency speculation; but in national balance of payments figures the bulk of this borrowing is usually lost in residual errors and omissions. The German authorities have now made direct enquiries from business firms and have published estimates of direct external trade credit. The residual item however, which includes the commercial leads and lags, is still large. But the analysis shows how closely this commercial borrowing follows the swings of confidence in the exchange market.



GERMAN INDUSTRY'S FOREIGN BORROWING
(Millions of marks)

	Total	Direct borrowing			Credit through the banks	Foreigners' net purchases of domestic securities
		Long-term	Short-term	Residual item		
1957 ..	+2,876	+410	+56	+1,594	+45	+771
1958 ..	+218	+231	+45	-708	-378	+592
1959 ..	+354	+679	-75	-456	-263	+469
1960 ..	+5,655	+426	+724	+1,390	+1,049	+2,066
1961 I	+2,018	+141	+476	+332	+367	+702
II	+2,543	-2	+503	+845	+619	+578
III	-310	+368	+169	-896	-14	+63
July ...	+595	+186	+41	+97	+89	+182
Aug. ...	+268	+113	+70	-331	+45	-75
Sept. ...	-637	+69	+58	-662	-58	-44

MAGAZINES

Thomson Buys Again

MR ROY THOMSON has finally secured his toe-hold in the British magazine business—said toe being now shod in a stylish if slightly Edwardian buttoned boot. Illustrated Newspapers, of which Mr Thomson last week bought a 55 per cent interest for about £800,000, reputedly from nominees representing the interests of Sir John Ellerman, is best known for its three traditional picture magazines, the *Illustrated London News*, *The Sphere*, and the *Tatler and Bystander*. These date from before the fuller development of photographic journalism—some would say, indeed, that their illustrations by artists who used to work at fantastic speed did the job better than any illustrated journalism since, and certainly they gave more recognisable detail. Since that style of illustration passed away, these journals have never set out to rival the photo-journalism of *Life*, the late *Picture Post*, or even *Illustrated*. Of late they have somewhat adapted their format to more modern styles, but have hardly altered in spirit.

The Illustrated Newspapers group also publishes trade papers for the drapery and tailoring trades, owns the publishing house of Michael Joseph, and has a substantial printing establishment. Mr Thomson is offering minority shareholders the same terms as he did the majority—one 5s. ordinary share in the Thomson Organisation plus 9s. in cash for every six 5s. shares in Illustrated, representing now 5s. 1½d. per Illustrated ordinary share. He has described it as the nucleus of the magazine group that he wants to develop. It can hardly be mentioned in the same breath, so far, as the mammoth Fleetway-Odhams empire, part of which Mr Thomson failed to buy early this year. But no doubt Mr Thomson will apply to the existing enterprise his own unsentimental and pragmatic business approach; and it will form a base from which to launch any new creations he may have in mind in the magazine field.

THE JASPER GROUP

Schemes and Claims

EVEN before the conviction of Messrs Murray and Grunwald on charges of fraud in July, 1960, rumours of schemes to unscramble the affairs of the Jasper group of companies were abroad. There have been several more since. In a letter to shareholders of companies in the Jasper group Sir Dingwall Bateson, who along with two other nominees of the State Building Society was appointed to their boards early this year, has described these schemes as "still-born." Yet another scheme, with which rumour associated the name of Mr Isaac Wolfson, was mooted this summer. Sir Dingwall and his associates were pressed by interested parties (including the State

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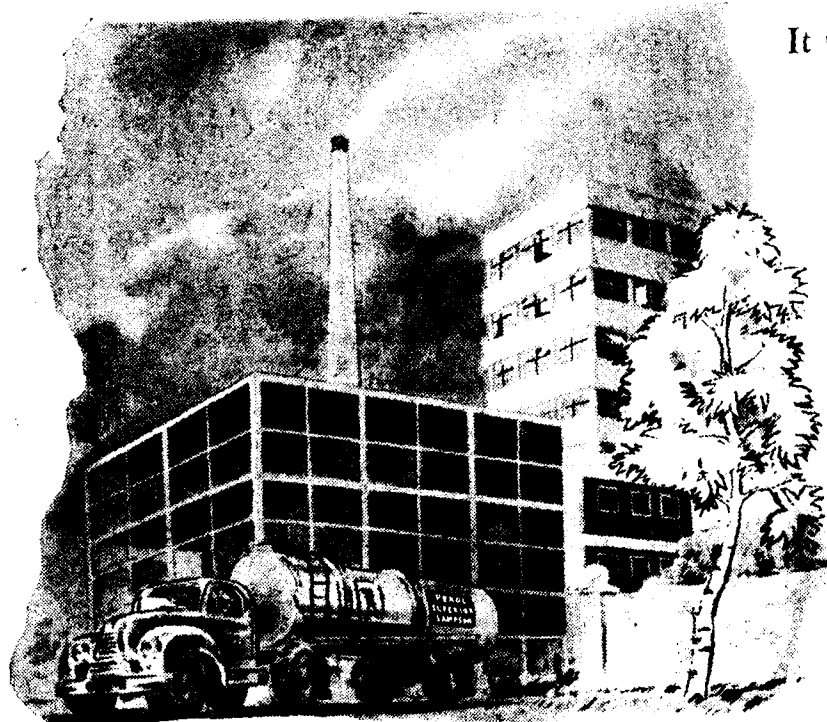
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Building Society and certain banks) to allow time for this scheme to be prepared. But he now tells shareholders that he and his fellow directors have “never in fact seen the essential terms of the ‘scheme,’ which involves many other parties besides yourselves, and we have little knowledge of such other parties.” Hence he and his associates decided to “proceed without further delay, but with some regret” to pursue in co-operation with the State Building Society the claims of the individual companies against Harewood and Company (a firm of solicitors in which Mr Grunwald was a partner) and others. This would seem to point to legal action in the courts. But the situation has again been confused by a request from the authors of the latest scheme to continue negotiations and by Sir Dingwall’s comment that he and his fellow directors would be “only too ready to listen to any proposals.”

At the same time, the State Building Society, Lloyds Bank City Office Nominees and Mr Maxwell Joseph have proposed the appointment of new directors to the board of Lintang Investments, whose take-over formed the central piece of the Jasper case. Among the new directors proposed are Sir Dingwall and Mr J. H. Robertson, who are both directors of the State Building Society, and Mr Maxwell Joseph, one-time chairman of Lintang Investments, who is mortgagee to 3,365,258 and beneficial owner of 179,072 of its 5s. shares.

The principal stumbling block in the schemes mooted in the past appears to have been the failure of the principal shareholders in the Jasper companies (these include Mr Murray and Mr Grunwald) to agree how much each of them individually was prepared to give up. Any scheme which brought in outside interests might well resolve some of the uncertainties, and the prospect of an early repayment from a realisation company, which would be the essence of any such scheme, might be attractive to the smaller shareholders in the companies. But, presumably, such a scheme would not be set in train unless there were some hope of an eventual profit to its authors; this, in view of the rise in property values, might not be too remote a possibility. The pursuit of individual legal claims would take much longer to produce any tangible result; but, in Sir Dingwall’s view, it might produce “a better result in the long run.” Whatever method of unscrambling is chosen, it will be to the advantage of both the shareholders and depositors of the State Building Society and the shareholders of the Jasper companies if direct negotiations between the “fellow victims” resolve the question whose money it was that was misapplied in the various transactions.

ROAD HAULAGE RATES

Blaming the Chancellor

THE Road Haulage Association has taken pains to explain that the increase of 7½ per cent in rates that it is recommending is

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a consequence of government policy. The higher excise duty imposed in the budget and the increase in fuel tax that came in the little budget are the main factors blamed here. The statutory increase of 3 per cent in wages that will begin in the new year and be combined with a cut in the working week from 44 to 42 hours may count for more; it will mean an effective increase of 10 per cent in earnings. The National Association of Road Transport Clearing Houses has also recommended a 7½ per cent increase in rates to its members. But British Road Services has got to decide whether it will follow its privately-owned competitors in this increase in charges.

Operators may feel they cannot increase charges as the RHA has recommended. The railways would be glad of any opportunity to win back traffic from the roads; in August their freight traffic was 10 per cent lower than a year before, while that on the roads was 3 per cent higher. And some sections of road haulage have found business rather disappointing in recent months. The amount they have to carry reflects the level of industrial production; and the fall in the output of such industries as steel, cars and durable goods hits those who carry for them. But Christmas means that the biggest part of the road haulier’s trade—carrying food—is booming; and so is the second largest—carrying building materials. Increases in charges are therefore likely to be far from uniform.

OIL

Pipelines In and Out

FOLLOWING a visit to the Zelten oilfield in Libya last month, it was temperately observed in these columns that “pressure maintenance could pose some technical problems.” This week Standard Oil of New Jersey announced that it proposed to begin water injection into the Zelten structure, which will involve, among other things, building a second 110-mile pipeline to the one that it formally opened in October. This pipeline—one of 36-inch diameter, as against the 32-inch line that carries Zelten oil to the Mediterranean coast—will eventually carry 500,000 barrels a day of salt water in the opposite direction, to be pumped into the underground structure in order to keep up underground pressure and keep the oil flowing up and out to the coast.

This “re-pressuring” project is one of the largest ever undertaken outside the United States; it is most unusual to decide upon this technique so soon after the field has come into production. One can often, again, inject back into the structure the gas that comes up with the oil; but at Zelten the oil is “unsaturated,” and if gas is pumped back in it simply dissolves. The water technique will involve a power plant at the terminal port, Marsa el Brega, and a transmission line to Zelten, for the water

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pipeline will require much more pumping power than the oil line does. Oil flows from Zelten with very little assistance; once having surmounted a fairly low escarpment near the field, it flows the rest of the way by gravity. By the same token, a pipeline to move water the other way will presumably have to be pumped most of the way.

The volume of water eventually envisaged—which in this case will be injected around the flanks of the field, and not in the centre as in most “waterflooding” projects—is very large. Jersey has never estimated publicly the eventual flow of oil that it expects from Zelten; but at the outset it may be bringing in more salt water—which it has specially to treat to reduce corrosion dangers for the line—than it takes out oil. The investment will be about \$50 million, which is perhaps about a third as much again as the group has spent so far on Libyan oil; but over the producing life of a rich oilfield—which can be prolonged by re-pressuring—that may not make much difference in cents per gallon.

SHARE TRANSFERS

Forcing the Pace

ACTING on his own initiative and, apparently, without consulting the Stock Exchange or other interested bodies, Mr

BUSINESS NOTES

Graham Page, MP, who was behind the 1957 Cheques Act, has brought forward a private members' bill on stock transfers. In December, 1960, a committee consisting, among others, of representatives of the Stock Exchange and the Bank of England, put forward recommendations to simplify the transfer of securities. Last October Mr Anthony Barber, Economic Secretary to the Treasury, said that the Government was considering what legislation might be involved. Presumably, this legislation will be based on the committee's recommendations. Mr Page appears to be trying to force the pace, for fear that the Government might postpone action on share transfers until after the Jenkins committee has reported.

His bill, moreover, allows for an alternative procedure in share transfers which after due deliberation the advisory committee rejected. It plumped for a system which would still require the principal (that is the seller of the securities) to sign the transfer form. Mr Page's proposals would permit this procedure but, in addition, they would allow the principal to authorise his agent (who would normally be his stock broker) to sign the transfer form. The authorisation would be given by an endorsement of the share certificate. The principal features of either the “stock transfer form” or the “endorsement” procedures are that only one transfer form needs to be signed, even if the holding has to be split among a number of buyers, and that the signature

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need no longer to be witnessed. Furthermore, Mr Page's proposals would permit photostatic copies of the transfer form, signed by the seller or his agent, to be used for the signatures of the purchasers (or their agents) if the holding were to be split. This could lead to practical difficulties for the brokers and the company registrars and, in similar circumstances, the committee envisaged the use of “brokers' transfer forms” which would circulate only between brokers' offices and company registries. In preferring the “stock transfer form” procedure the committee saw some disadvantages in any “endorsement” system. It recognised that endorsement, because of its simplicity, might be popular with shareholders but that it might well add to the administrative burdens of the company registries. Like other private member bills, Mr Page's proposals will have to take their chance on a crowded Friday afternoon. He could fail to get a hearing but, by introducing the possibility of an endorsement procedure for stock transfers, he may force the Government to make its intentions plain.

WOLFRAM

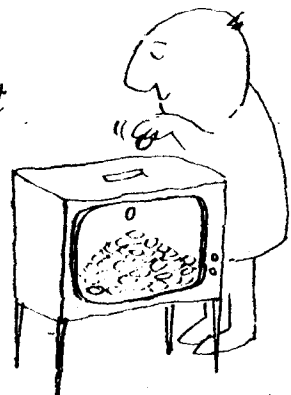
Strategic Loss

NOT much of the wolfram market shows above surface. What can be seen of it now is rather perturbing. The market is

TELEVISION

Competition in the Slot

IN arbitrating between the three major companies contending for rights to provide a Pay-TV service, the Pilkington committee may have to take into account not only each group's ability to provide “super-programmes” 365 days of the year, but also the kind of Pay-TV system they propose. The heart of each system is the meter which turns on the programme when the customer has put in his coins, or bills him at intervals for those he has seen. These meters have proved difficult to design; the first to be used, and reputedly the best, was designed by Paramount in America, and has been installed at an average cost of £20 a meter in a Toronto suburb. The patents that protect this design are said to have made it difficult for other companies to produce a satisfactory alternative; rights to it are held in this country by British Telemeter Home Viewing, a company backed by British Lion, Granada, Paramount and the two newspaper groups, the Financial News and the Manchester Guardian. The Paramount box was demonstrated in London this week in a version that works on coins only and gives no credit; this seems a little antique; certainly nothing is more off-putting than fumbling with the florins late at night with the programme about to begin.

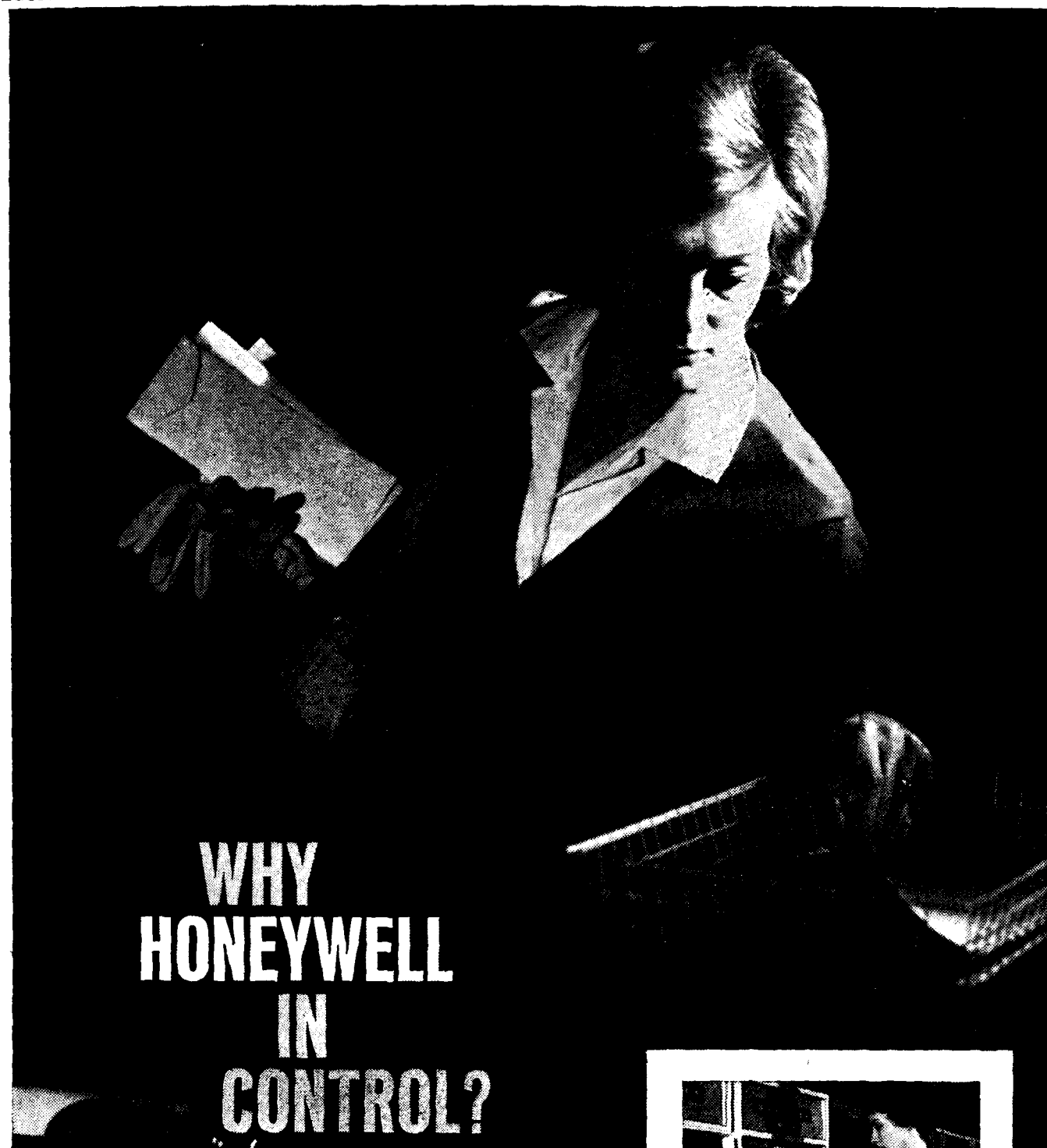


The coin box designed for the Rank organisation's Choiceview system is considered by many to be less neat than the Paramount box, but it can be adapted to give credit and it could also be cheaper to make although it would carry development costs that British Telemeter will not incur. But the capital cost of installing Pay-TV in any house will not depend exclusively on the cost of the meter, it will also be influenced considerably by whether the house is already wired to an existing wire relay service. If not, the cost of wiring could be heavy. It seems inevitable, therefore, that Pay-TV, if it comes, will be operated in conjunction with the existing wired relay networks. If subscribers are already paying a weekly rent for their wired television set, the Pay-TV service riding on its back can break even at low figures; Rank, therefore,

already has an agreement with the relay company, Rediffusion. British Telemeter might be expected to come to a similar agreement with the other big relay company, British Relay Wireless.

This leaves the third company, British Home Entertainment, undecided so far either about the form of box or the type of wire relay that it will use but the company should not be under-rated on that account. It has a formidable backing of talent, and when the technical issues have been settled, the success of Pay-TV will depend exclusively on the quality of programmes it can provide. Hence the fact that each company is backed by substantial sections of the film industry and the talks that take place from time to time about a merger of all three groups. Feature films (and filmed versions of current plays) might, it is thought, be run for as long as a week on the Pay-TV channels. With a potential target audience of a million on the wired relay services, this could provide a substantial income. Only, however, if viewers are willing to play. In Canada they are not; latest reports show that they are spending an average of less than 7s. a week, where the service needs about 10s. to break even. By exploiting existing wired relay services with their guaranteed income from rental of about 10s. a week, British companies estimate they can break even at about 3s. and upwards a week—that is on a combined income of upwards of 13s.—provided the potential audience is big enough.

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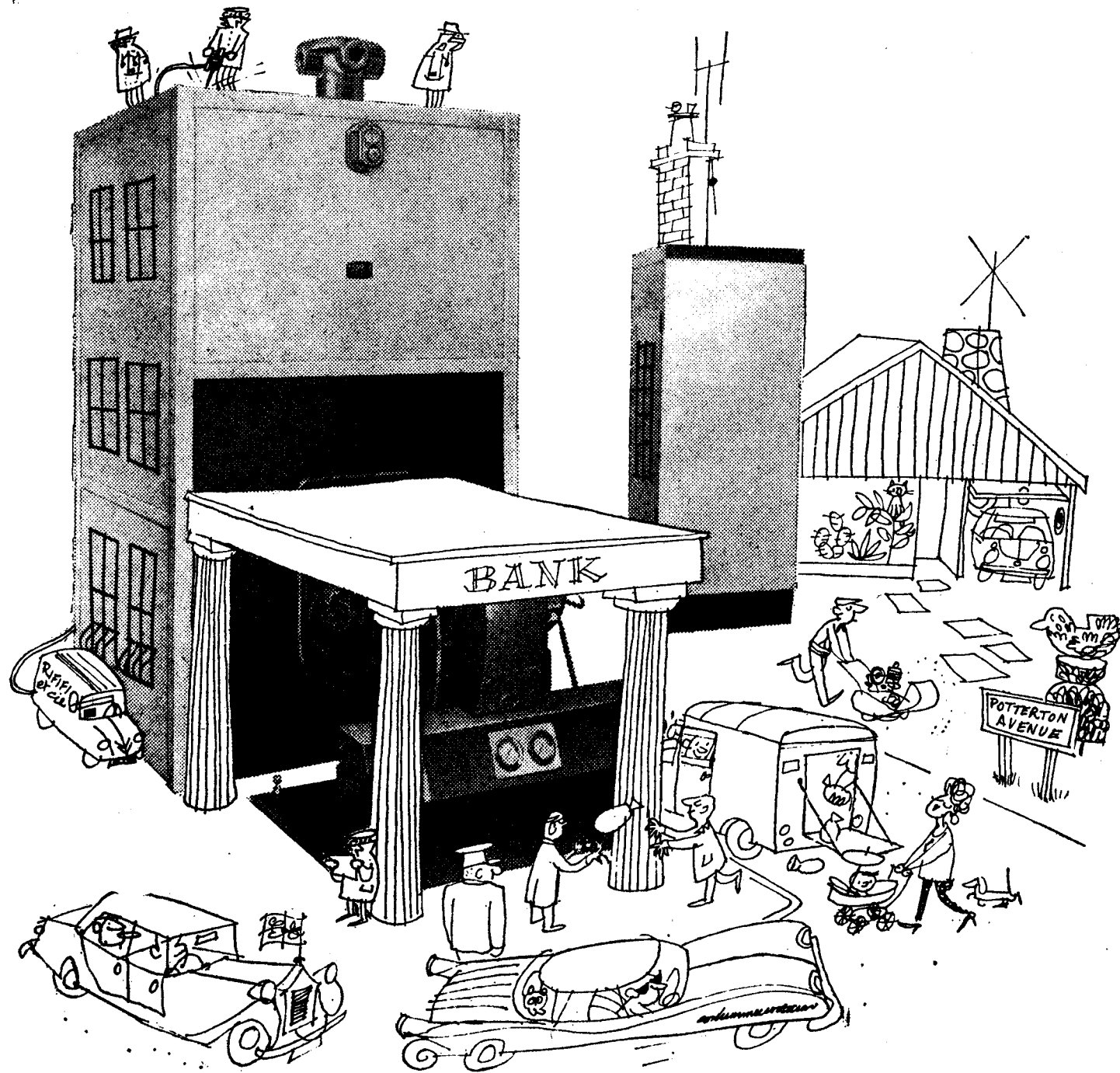


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sick, and in the tug-of-war between East and West for a larger share of it, the communist countries appear to have dragged their opponents almost over the line. Wolfram has fallen from 150s. to about 90s. a long ton unit this year; it is claimed that a further fall of 10s. would close every wolfram mine in South America. Following the experience of 1958 when a price in the region of 60s. a unit caused wholesale closures, this is no idle threat.

The communist countries appear to have held the large slice of the British market that they captured last year. In the first ten months of this year, imports of wolfram ores from unspecified foreign sources were maintained at 3,700 tons out of unchanged total imports of 5,800 tons. Most of these unspecified imports were presumably from communist countries. Now that this category has swollen to its present proportions, it is surprising that the Board of Trade has not caught up with events and begun to publish a more detailed breakdown in its monthly trade statistics.

If the communist countries succeed in forcing other mines out of business, they might gain considerably from the subsequent rise in prices. But the point that western producers are pressing is that this would not be merely a tactical market advantage, but also a military one. Tungsten, derived from wolfram, has many uses; a major one is in the hardening of steel for building warships, armoured vehicles and the like. It also has an extremely high melting point and is therefore used in rockets.

The contraction of its military uses has contributed to the present weakness of wolfram, but during the Korean war the price of wolfram leapt to 600s. a unit. When prices fall sharply, some of the mines that cease production are only closed temporarily, but there is always a significant number of permanent casualties. The possibility of a shortage of wolfram seems remote now, but this communist export offensive, which may be about as innocent as the attempt to sell more lead, zinc, grain and oil to western nations at whatever discount on prevailing prices is necessary, certainly has some genuinely disquieting features.

INVESTMENT ANALYSIS

A New Journal

THE first issue of *The Investment Analyst* deserves a warm welcome. It marks an important stage in the growing prestige of the Society of Investment Analysts in this country. Most of the matters discussed privately by its members cannot be put on public show; but the journal, to judge from the first issue, will give the society a voice from which the investing public can gain much. The first issue contains three articles: Professor Victor Morgan writes on the flow of investible funds; Mr J. G. Blease, of the BOAC pension fund, on the use of com-

puters as an aid to investment analysis; and Monsieur R. C. Larcier, manager of the Eurosyndicat Investment Research Bureau, considers the analysis of European securities.

Because of its nature and of the author's forceful comments, M. Larcier's article will attract considerable attention. The principal obstacle, he says bluntly, to full-fledged security analysis in Europe is the lack of reliable information from companies and, because of the relatively small pressure of institutional investment, there is little thrust to get the information improved. Except in France and Belgium, there is no strong tradition of ordinary share investment by private individuals, and companies still believe that it is dangerous to give information that might be used by competitors, the fiscal authorities or the trade unions. Hence, despite legal requirements, sales, profits, net earnings, assets and liabilities are often what the directors and managers choose to show; that is not a "true and fair" view of a company's affairs that the British accountant needs. In Europe there is usually no legal requirement on a company to produce properly consolidated accounts.

The investment analyst on the Continent is thus confronted with much the same situation that faced his counterpart in this country before the passing of the 1948 Companies Act. He is forced to extrapolate from industrial and governmental statistics and has to lean heavily on "inside information." (The Eurosyndicat Research Bureau, for example, does not use earnings figures as these are practically meaningless but has to make do instead with ratios based on the cash flow.) In general, this article will help to bring home to British and American investors how little hard information is available to guide their buying of European securities.

VEHICLE TESTING

So Little Time

MR MARPLES has done his best to give the garages a busy Christmas, by allowing the 16,000 of them that act as official testing stations little more than five weeks to test the 1½ million cars, motor cycles and light commercial vehicles that are between seven and ten years old. The average 20 a week would be a reasonable task for each station; but the variations in demand between areas means that some individual stations are likely to be overstrained. Most drivers tend to leave the test until the weekend; the garages had reckoned that three months would be needed to get all the remaining vehicles tested. Their problem is not just testing the vehicles; most garages are also asked to make the cars fit to pass the test, and the load that this puts on their repair facilities is more of a burden than the testing itself.

If large numbers of vehicles still remain untested at the end of the year and the police have to turn a blind eye to the lack

of a test certificate for a time, respect for the whole scheme may decline. It has so far been accepted as one of the more sensible means of improving road safety, despite the lack of a uniform standard in the testing procedure. Mr Marples must try planning further ahead.

PAPER AND BOARD

Ifs and Buts

FOR an industry that has little to lose if Britain joins the common market, the British Paper and Board Makers' Association is surprisingly reserved in its support of this move. The common market's projected external tariff on wood pulp supplies is 6 per cent, and at present they enter this country duty free. If the Scandinavian countries are linked with EEC, the association fears that they might gain an even greater competitive advantage over the British industry than their present easy access to cheap raw materials.

The association's other main reservation, that it should not be expected to bear the "brunt of Nordic competition" as it is now doing can hardly be a genuine proviso. It sounds more like an attempt to gain extra publicity for its case against the lowering of tariffs between members of EFTA. Unless Britain joins the common market, the only prospect under EFTA is a bigger Nordic invasion. EFTA tariffs have already been reduced by 30 per cent, and the association declares that further reductions in the near future would add to the industry's difficulties. Last week five EFTA members including Britain agreed to bring forward the date of the next 10 per cent reduction in tariffs to March 1st. Originally, this stage in the reduction of tariffs would not have been reached until July, 1963.

After the latest reduction in EFTA tariffs at the beginning of July, output of paper and board in this country declined three per cent below its level in the corresponding quarter of 1960. But mill stocks began to fall following a sustained rise in the previous nine months, though at the end of September they were still more than a sixth higher than a year earlier. Only packing and wrapping papers showed much improvement, and a further increase in the output of these products is likely in the current festive quarter.

Assuming that all manufacturers in western Europe are soon in the same market, the position of the British paper and board industry will be far from comfortable. According to the UN Food and Agriculture Organisation, there will probably be a surplus of paper and paperboard manufacturing capacity in 1965.

BUILDING SOCIETIES

A Grown Up Image

IN a recent speech to some members of the Building Societies Institute Sir Bruce Wycherley, the managing director of

the Abbey National, said that the building society movement "can afford a grown up image." By this, he appeared to be implying that the appeal for new savings should continue to be aimed at the middle aged and the middle class. Indeed, he added: "If we can link ourselves with the enthusiasm displayed by some advertisers for the 'young married' elements we will have gone quite young enough." Sir Bruce clearly sees little profit in appeals to teenagers to save, but he does see some in efforts to promote saving through a building society in advance of the purchase of a house. Beyond such specific appeals, Sir Bruce would seem to be content with a more imaginative and more modern display of the qualities already attached to building society savings—the rate of return, security and the ease and convenience of withdrawals and payments. This view leads him to point to the virtues of stability in interest rates.

On both scores he is no doubt right—so long, it may be added, as the rates are high enough to compete effectively with other savings media. The past, as Sir Bruce said, can beckon "perhaps a little too invitingly because it is a story of success" and the essence of his speech, which touched on a large number of topics, was clearly to set the movement thinking more in terms of the future—of the growing demand for mortgages and of the need to attract the savings to satisfy the demand.

AIR SHOWS

Biennial Farnborough

THE decision of the Society of British Aircraft Constructors to hold the Farnborough air shows on alternate years in the future will be greeted with almost universal relief by the industry. The exceptional standards which make Farnborough the peer of air shows has been met in recent years only at the cost of exceptional bills. A big company now budgets for a minimum of £30,000, without allowing for the disruption of work at the factories for weeks before the display itself. Some members of the industry have been grumbling that this money might be better spent on more salesmen visiting more customers, especially in a summer like the one just past, when they had to take part in one major international air show at Paris in June and a second at Farnborough in September.

The force of these arguments is strengthened by the long gestation period of modern aircraft and missiles; the fact that it has become impossible to find something new to show every year does not seem to reduce the numbers of people who attend the bigger shows like Farnborough, but it weakens its reputation as a shop window. Not, indeed, that there is any evidence to show that participation at air shows influences sales; indeed, salesmen complain that the press of visitors makes serious discussions impossible. Unfortunately the

BUSINESS NOTES

sensible decision to alternate Paris and the Farnborough shows in the future will not reduce pressure on the industry to appear in other international air displays in Ger-

SHORTER NOTES

In the past week both Morgan Crucible and S. Smith have made bids for Lodge Plugs. The former's bid of 16s. 6d. for each 5s. share has not received the support of the Lodge Plug directors; Smith has made a firm bid of 18s. per share which might be improved upon after receiving further information on Lodge's prospects. A complication to the deal is Morgan Crucible's holding of convertible notes which could give it a 22 per cent interest in the equity, but Smith's offer will not depend on any arrangement being made with regard to these notes.

Correction: In a Business Note last week it was said that stocks of television receivers had fallen since the beginning of the year from 1.2 million to 225,000 by the end of September. This second figure represented manufacturers' stocks only. Manufacturers' and retailers' stocks together were in fact 576,000, so the de-stocking has not been as drastic as our note suggested.

Production of man-made fibres in October rose to 52.8 million lb, compared with 50.2 million lb a year earlier. In the first ten months of the year output declined from 494 million to 468 million lb. Courtaulds will stop producing tyre yarn and cellulose film at British Enka's factories at Bolton and Aintree. More than 1,000 workers are affected.

The sales of the British plastics industry in the third quarter of this year were 13 per cent higher than a year before. Those of thermoplastics rose 19 per cent and those of thermosetting materials rose four per cent. As stocks of thermoplastics were rising fast last year but were stationary this year, production showed little increase. Much of the increase in home sales comes from a fall in imports; consumption rose by only about eight per cent.

The new chairman of Lloyds Permanent Building Society, Mr Ernest Partridge, says that despite the loss in the first half of 1961 the accounts for the year as a whole will show a revenue profit. He hopes that early next year the Society may approach the Registrar to revoke the bans imposed on the society under its previous management.

THE ECONOMIST DECEMBER 2, 1961 many and Italy, whose organisers are obstinately attempting to boost them to major events in the aviation calendar against all indications to the contrary.

During the year to March, 1961, the Board of Trade agreed to build nearly 5 million square feet of factory space, costing about £21 million, in "development places," and to grant or lend about £29 million to industrial firms as an inducement to move there. This £50 million was approved in respect of 62 factories or extensions built for renting to industry, 27 companies offered building grants, and 108 projects for which loans or grants were approved. This is shown in the first annual report, published this week by the board under the Local Employment Act of 1960, which altered the pattern of government assistance to areas of "high and persistent unemployment."

The directors of Gloucester Railway Carriage and Wagon have recommended shareholders to accept the bid from Winget which offers two Winget 5s. ordinary shares and £4 19s. nominal of new 7 per cent convertible loan stock for every nine 10s. Gloucester ordinary shares. The assets of Gloucester have been written down by £625,000 net and would contribute 55 per cent of the assets of the new company; shareholders would receive 45 per cent of the enlarged equity.

Although the sales of Allied Ironfounders were slightly higher in the first 28 weeks of the year to March 31, 1962, higher costs have cut profits by 17 per cent compared with the same period last year. The directors have cut the interim dividend from 7½ to 5 per cent. For 1960-61 a total dividend of 20 per cent was paid.

The rate of interest payable on newly issued tax reserve certificates was last week reduced from 3½ to 3¼ per cent.

COMPANY AFFAIRS

Comments on pages 971 and 974 on:
National Commercial Bank Handley Page
North Central Finance Metal Box
Birfield Industries Joseph Lucas
Gas Purification

LONDON AND NEW YORK

Stock prices, yields and security indices on pages 972 and 973

LONDON STOCK EXCHANGE

The week's movements reported on page 974

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 975

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LARGE BOARDROOM,
EXECUTIVE'S OFFICE WITH BATHROOM SUITE,
3 OTHER OFFICES,
RECEPTION OFFICE & WAITING ROOM,

about 2,400 sq. ft.

ALL MAHOGANY PANELLED WITH TAPESTRY PANELS
IN BOTH MAIN ROOMS. CENTRAL HEATING. LIFT.

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CO. DURHAM

INDUSTRIAL SITES TO LET

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Applicants will be referred to the Board of Trade for consideration and approval of their projects subject to the terms of the Local Employment Act, 1960. Under this Act Government assistance may be available. Applications for storage accommodation cannot be considered.

CARFIN (12 miles east of Glasgow).

- (1) Area 1,200 sq. ft. Ridge Roof Construction.
- (2) Area 29,500 sq. ft. Ridge Roof Construction. (There are three factories of this size.)

CHAPELHALL (12 miles east of Glasgow).

Area 5,400 sq. ft. Ridge Roof Construction. Yardage available.

HILLINGTON (on the western boundary of the City of Glasgow).

- (1) Area 18,600 sq. ft. Ridge Roof Construction. Yardage available.

LARKHALL (17 miles south-east of Glasgow).

- (1) Area 11,800 sq. ft. Ridge Roof Construction. Yardage available.
- (2) Area 1,500 sq. ft. Ridge Roof Construction.

PORT GLASGOW (17 miles west of Glasgow).

Area 22,600 sq. ft. Ridge Roof Construction. Yardage available.

DUNDEE (83 miles north-east of Glasgow).

Area 11,900 sq. ft. Ridge Roof Construction.

RUTHERGLEN (Glasgow). Individual Site, For Sale or To Lease.

Area 28,400 sq. ft. North Light Roof Construction. Yardage available.

Each Factory listed has a roof height of at least 12ft. to underside of truss.

Further particulars may be obtained from:—

Industrial Estates Management Corporation for Scotland,
3, Woodside Place, Glasgow, C.3.

COMPANY MEETINGS

THOS. W. WARD LIMITED

The fifty-eighth Annual General Meeting of Thos. W. Ward Limited was held on November 24, 1961, at Sheffield. **Mr H. W. Secker, OBE** (Chairman), presided and, in the course of his report, already circulated, said:

"The Group operated throughout most of the financial year under conditions of uncertainty and uneasiness not conducive to the maintenance of that atmosphere of confidence which is essential for the successful operations of a Group such as ours. As we now know, the worst fears were confirmed by events, and we find ourselves in the midst of another credit squeeze.

Judged against such a background, it gives me a considerable amount of satisfaction to be able to present Accounts showing record figures for the Group, both of turnover and profit, and I would like to acknowledge the valuable contribution made by Directors, executives, staff and workpeople throughout the Group to the results which have been achieved.

GROUP RESULTS

Of the increase in Group turnover of approximately £2½ million, the overall increase in Subsidiary Companies' turnover is £1,600,000 and that of the Parent Company £900,000.

The percentage profit before Tax on the Group turnover of £52 million has fallen slightly to 5.67 per cent compared with 5.69 per cent for the previous year, and the Profit before Tax on the Capital Employed is slightly lower at 18.13 per cent compared with 18.28 per cent.

PARENT COMPANY

The tonnage of scrap delivered to the steel industry from our scrap and shipbreaking divisions has been maintained very near the level of that of the preceding year. But, as I mentioned last year, in times of such a high level of activity, competition for scrap intensifies, and due to this and increasing costs, profits have shown a substantial fall.

In our shipbreaking yards we have adequate supplies of vessels for demolition, but due to a shortage of suitable labour, and the recent drop in demand for scrap, we are working below capacity with no prospect of early improvement.

So far as the Machinery Division is concerned, a high level of activity has been maintained in all sections. Our Factory Planning and Installation Department has also had a very satisfactory year, and it is gratifying to note that its specialised services are being called on by an increasing number of customers. Excellent progress has been shown by George Cooper & Sons, in the manufacture of nuts and bolts, with a satisfactory increase in profits.

Contractors Plant Division has achieved a record profit, and we can look forward to a continuance of the high level of activity during the coming year. The Foundry Supply Division, which supplies a wide and varied range of equipment, has shown a very satisfactory increase both in turnover and profit. Conditions were active in Wagon Repairing and the year has also

been one of continued activity in Works Dismantling.

We continue to expand our turnover in the Railway Siding Construction and Constructional Steelwork Divisions, but conditions are so very competitive, that profit margins on some contracts are very narrow, and indeed, in some cases, practically non-existent.

CEMENT AND QUARRIES

The tonnage despatched by Ketton Portland Cement Co. Ltd. was slightly lower than in the preceding year, but the profit was well maintained, and its associated company, the Ribblesdale Cement Co. Ltd., is now reaping the benefit of capital extensions. The new 5th unit at Ketton should be completed within the course of the next year, but no benefit from this can be expected in the current year.

Our quarries in Westmorland and Cornwall were fully employed, and indeed could have accepted a greater volume of orders had it not been for labour shortage.

The output and profits from Eldon Hill Quarries were somewhat affected by extremely poor weather conditions during the first half of the financial year.

ENGINEERING

Successful results have been shown by Thomas Smith & Sons (Rodley) Ltd. despite a shortage of skilled labour. The order book for excavators is good, and I am happy to report that the crane side is busier now than at this time last year. John Smith (Keighley) Ltd. have experienced a good demand for overhead cranes of all types, despite keen competition, and the order book is very satisfactory.

I am pleased to report an improvement in the results of Fredk. Town & Sons Ltd. Modernisation of designs is proceeding, and the order book is good, but the shortage of skilled labour is presenting a very serious problem. There has been a marked improvement in the results of Woodhouse & Mitchell, and orders for their lathes and turret milling machines are now on extended delivery up to 18 months.

Turnover achieved by the Widnes Foundry & Engineering Co. Ltd. was the highest ever recorded, and the specialised work on which Widnes concentrate has been in good demand.

Darlington Railway Plant and Foundry Co. Ltd. has been actively engaged on foundry work but there has been a fall in demand for switches, crossings, and ancillary equipment. Railway & General Engineering Co. Ltd. have had another very satisfactory year. Trading conditions have remained highly competitive, but through internal reorganisation and the introduction of new machinery, profits have been maintained.

MANUFACTURE OF IRON AND STEEL AND NON-FERROUS METALS

In spite of adverse conditions Wolverhampton & Birchley Rolling Mills Ltd. have operated to

capacity throughout the year, and have achieved another record in production. This increased production to some extent offset the effect of increased costs, but with no commensurate increase in selling prices there has been some falling away in profits. The Company has derived considerable benefits from mechanisation installed in recent years, and the scheme to replace one of the mills at the Wolverhampton Works, to which reference was made last year, is now in progress.

Benefits continue to be obtained at John Williams (Wishaw) Ltd. from the new sheet mill, and profits showed a welcome improvement during the first six months, but due to a falling away in demand the final profit for the year has not reached the level anticipated.

It has been a reasonably satisfactory year for Midland and Low Moor Iron & Steel Co. Ltd., and The Alexander Metal Co. Ltd. has again shown a material increase in tonnage and deliveries.

VEHICLES

Satisfactory results have been shown both by E. H. Pickford & Co. Ltd. and the Deighton Motor Co. Ltd. Sales of new cars are somewhat lower than the previous year, but sales of commercial vehicles have increased slightly.

MISCELLANEOUS

Conditions have been difficult for Dick's Asbestos and Insulating Co. Ltd. and Anchor Insulating Co. Ltd. as highly competitive conditions prevail in the insulating industry, and although the overall figures have been maintained, profit margins have remained very slender.

Watsons (Metallurgists) Ltd. have had an extremely satisfactory year, resulting in a further increase in profits. Plans are now being implemented for the erection of a new factory to give further capacity.

Ward Longbottom Ltd., George Hassall Ltd., of Stoke, and Frank Parker & Co. Ltd., of London, all maintain consistent and satisfactory results.

OVERSEAS TRADE

In those sections of the Group engaged in the export trade everything possible is being done to increase turnover. To this end personal contacts abroad are being maintained through visits from Directors and senior executives of the Parent and Subsidiary Companies.

The Overseas Subsidiaries have made satisfactory progress and the French Company has made a good start to the new financial year, but although the Australian Company made headway it has been affected rather adversely during the last few months by the recession and credit squeeze in the Australian economy.

The Swedish Company has again made progress and plays a particularly valuable role in selling excavators in Sweden for Thomas Smith & Sons (Rodley) Ltd.

RAILWAY AND SHIPPING CHARGES

Despite the recession in the Steel Industry towards the end of the financial year and the abundance of cheap and convenient road transport, traffic payments to the British Transport Commission have again exceeded £11 million and I am glad to record the continued co-operation existing between the Commission and this Company.

APPROPRIATION OF PROFIT

The Group Profit relating to the Parent Company is £1,463,932. £430,316 has been retained in Subsidiary Companies, so that there is a balance of £1,033,616 available for appropriation, out of which after Interim payments of £147,468 remains a balance of £886,148. Your Board recommends a transfer to General Reserve of £600,000, to bring that Reserve to a figure of £2,925,000, and the payment of a Final Dividend of 10 per cent less tax on the ordinary share capital. £781,378 is carried forward to next year.

The total Dividend of 13½ per cent less tax has been maintained at the same rate as the previous year, partly to meet the request made by the Chancellor of the Exchequer that dividends should not be increased in the present situation, and also to finance a relatively heavy programme of Capital Expenditure during the current year of £2,038,000.

BALANCE SHEET

The Consolidated Balance Sheet shows a total of Capital and Reserves of £13,982,347, and with the additional Reserve for future income tax due 18 months ahead, the net worth on book values totals £14,904,295. Current Assets again show a satisfactory cover of 2.2 times over current liabilities.

FUTURE PROSPECTS

The recent decline in steel production has resulted in a reduced demand in the current year for scrap from our yards and also from ship-breaking. A recovery in steel production could quickly improve the position, but any further reduction could have a serious effect on our profits.

From an assessment of the order books of those sections of the Group engaged in the supply and manufacture of engineering products, and from the enquiries which continue to be received, it would appear that we can anticipate maintaining their profits at a satisfactory level over the next 12 months. I would also anticipate that we can look forward to maintaining profits in our Cement and Quarrying interests at or around the level of the past year, but our Rolling Mill results will be largely dependent on the level of activity in the motor industry.

To conclude, I think it is obvious that the factor which will have most influence on our profits in the future months is the level of production in the steel industry, and at the present there are no signs of improvement in the outlook."

The report and accounts were adopted and the dividends recommended declared. The retiring Directors were re-elected and the auditors re-appointed.



"I am pleased to report once again a successful year's trading"

Mr. John Bedford
Chairman and Managing Director

The Annual General Meeting of Debenhams Limited was held in London on November 29th. The following are the salient features from the Chairman's circulated Statement.

TRADING RESULTS

The trading conditions during the year under review were by no means easy. I am, nevertheless, pleased to be able to report once again on a successful year's trading in the Group. The Consolidated Trading Profit amounts to £8,598,983 and the net profit before taxation is £7,219,230, showing an increase of nearly 11% on last year.

DIVIDENDS AND ASSETS

The Directors recommend a Final Dividend of 1 1/4d per share be paid on the Ordinary Shares, making 1 1/4d per share for the year. This is the same rate as that paid for the previous year, but it is payable on the Ordinary Capital as increased by the one for ten scrip issue in November, 1960. The Consolidated Balance Sheet shows the continuing growth and expansion of the Group, the total assets having now reached £71,500,000.

EXPANSION

Our efforts to expand have been directed towards the purchase of stores in the popular field. As good businesses become more difficult to acquire the Directors' present policy is the purchase and development of sites in towns in which the Group is not represented, and the purchase for expansion of properties near or, if possible, adjoining existing popular class stores.

CAPITAL RE-ORGANISATION

The Directors have decided to put forward a plan for acquiring the outstanding minority interests in twenty-six subsidiary companies, covering in all thirty-six different classes of capital. The acquisition of these minority interests will permit greater flexibility in Group financial arrangements, facilitate re-organisation and save much administrative work.

PROPERTIES

I believe that in the long term it is in our best interests to retain our valuable properties, which are the best hedge against inflation that we can have. Schemes are being prepared to make sure that these sites are used to the best advantage. It is proposed to put the management of our properties under Debenhams Property Company, whose function will be to see that they are being used to the best possible advantage.

FUTURE PROSPECTS

It is difficult to forecast with any degree of certainty the future outlook. Our progress is inevitably linked with the economic condition of the country. Given conditions of reasonable stability, I am confident that the long term prospects for the Company are good.

DEBENHAMS LIMITED

91 Wimpole Street, London W.1



Mr. Ivan C. Sanderson



THE WALL PAPER MANUFACTURERS LIMITED

PROPOSED REORGANISATION OF CAPITAL STRUCTURE

Group's notable efforts to foster vital export trade

MR. IVAN C. SANDERSON REVIEWS DIVISIONAL ACTIVITIES AND DEVELOPMENTS

The 62nd Annual General Meeting of the Company was held on the 29th November in Manchester. The following is an extract from the statement by the Chairman, Mr. Ivan C. Sanderson, circulated with the Report and Accounts:—

Wallpaper Division

Wallpaper sales suffered in comparison with the year before because of the two-year cycle of the decorators pattern book trade. It is natural for distributors to seek to reduce their stocks for the second year against the desire to build up stocks strongly for the first year.

We have continued to bring each one of our manufacturing units up to a state of highest efficiency in order to increase productivity and reduce the cost of unit manufacture.

Paint Division

In this Division we contended with a squeeze in margins, dictated by rising costs all the way round. Under these conditions, there could be temptation to debase quality, which the Walpamur Company in common with Smith & Walton and Farmiloes, completely resisted.

Paper Division

This Division has done very well in sales. Margins have been under pressure and a lower profit is reported. The Division will continue to undertake major capital expenditure over the next two years with a view to faster running of our machines.

Sanderson Division

This Group of Companies manufactures wallpaper and furnishing fabrics as a basis of its business. The attention paid to export has given these factories an exceptionally good position in overseas trade.

Another main activity is wholesale distribution of wallpapers, furnishing fabrics, laminates and fancy papers in the U.K. and world wide.

On the 15th August of this year the Division acquired one of the best wholesale Houses for furnishing fabrics in the United States of America, J. H. Thorp & Co. Inc., of New York with branches in the leading cities. The Division now has a base from which it can develop the sales of Sanderson fabrics throughout the U.S.A.

Research Division

We are rehousing our research in order that the scientific and engineering sections can be centralised and so allow our chemists, physicists and research engineers to work together under one roof and in most favourable conditions.

Retail Division

This organisation has had a successful year. It is our earnest endeavour to make our shops attractive and to cater for everyone who takes upon himself or herself the growing hobby of do-it-yourself.

EXPORT TRADE

The Board recognises the vital part which export trade plays in contributing to a high standard of living in this Country.

Our Wallpaper, Paint and Sanderson Divisions continue to improve their existing world wide connections both for distribution and manufacture. It is not possible to be important, either as an exporter or as an overseas manufacturer or distributor, without being strong at home as a trader and also financially. We have to bear competition from North America, Europe and the Orient. A successful overseas trader generally has to stock, warehouse and give services in the form of showrooms to customers. It is not possible always to get an immediate return on the heavy expenditure which is called for. It is for this reason that strength at home is imperative. I believe that the overseas investments we have made, and which are substantial, will stand us in good stead and will help in the United Kingdom balance of payments.

REORGANISATION OF CAPITAL

A Scheme of Arrangement will be submitted in due course to the Stockholders and to the Court for reorganising the capital structure of the Group bringing the capital more into line with assets employed and to improve the marketability of the Deferred Stock.

The Report and Accounts were adopted.

COMPARATIVE FIGURES 1952 to 1961

Year ended 30th June	Group Profit before Taxation	Taxation	Net Dividends paid to Shareholders	Cash Flow (Profit retained in Business plus Depreciation)	Group Net Assets	Additions to Fixed Assets in the Year
	£	£	£	£	£	£
1952	2,148,025	1,266,943	272,373	897,620	14,988,633	841,335
1953	2,722,464	1,510,867	316,140	1,270,257	15,970,244	469,181
1954	3,229,587	1,689,260	409,129	1,485,698	17,207,255	337,484
1955	3,044,292	1,810,108	524,635	1,179,697	18,137,977	967,741
1956	3,739,338	2,166,069	621,845	1,360,925	20,120,929	2,514,539
1957	3,586,044	2,013,069	621,845	1,410,220	21,250,654	1,275,739
1958	4,032,148	2,329,318	670,374	1,680,619	22,598,184	1,505,089
1959	4,750,443	2,427,281	765,339	2,185,723	24,372,519	2,191,463
1960	6,198,714	3,353,002	920,872	2,796,211	26,837,440	4,495,009
1961	5,223,051	2,693,348	1,156,503	2,588,887	28,963,677	8,637,812



NATIONAL COMMERCIAL BANK OF SCOTLAND LIMITED

STATEMENT BY IAN W. MACDONALD, CHAIRMAN OF THE BOARD

The third Annual General Meeting of the National Commercial Bank of Scotland Limited will be held on December 21st, in Edinburgh.

The following is the circulated statement by the Chairman, Mr Ian W. Macdonald, CA:

REVIEW OF OFFICIAL MONETARY POLICIES

Any review of the British banking field during 1961 must necessarily begin with a recognition of the serious and disturbing situation which developed in our external monetary position. In my statement a year ago I made the comment that sterling was strong and the monetary reserves had been increasing contrary to seasonal expectations "but possibly at the price of camouflaging the weakness of this country's visible balance of payments." As the months passed it became evident that the balance of payments position—visible and invisible—was deteriorating to a dangerous extent. Sterling increasingly came under heavy pressure resulting in a crisis position which was tackled in the measures taken by the Chancellor in July 1961. The Banks were directly affected by these decisions in two ways: (1) by a further call for special deposits, bringing the totals to 3 per cent for the Clearing Banks and 1½ per cent for the Scottish Banks; (2) by a request to be particularly severe on lending proposals related to personal consumption—including finance for hire purchase—to property development and to speculative building. The Banks some time before had been encouraged by the authorities to accept the special deposit scheme in the expectation that this would act as an automatic regulator of advances and thus avoid any repetition of restrictive directives or requests. It is therefore disappointing that on the latest occasion when there was need for credit restraint the authorities not only applied the regulator but also issued further requests. One wonders if this implies a lack of official confidence in the effectiveness of the special deposit scheme to provide the necessary braking power. However that may be, it must be recognised that neither the volume nor trend of bank advances can be altered immediately by external control measures of any kind. Bank lending policy and consequent decisions can be varied without undue delay, but it is many months before the effect of any variation is reflected in the total of bank advances. Since this time-lag is inevitable, it is open to question whether the authorities are wise in naming groups of borrowers or in specifying business activities in their requests. By the time the brakes start to bite, the economic situation of the groups or activities selected for restraint may need a touch of the official accelerator. In this present economic climate, with summers and winters each stretching to little more than twelve months, timing and time-lags have acquired much greater importance, and an official policy of blow hot/blow cold over short periods may well do more harm than good.

The increase in the Bank Rate to 7 per cent

created the short term influences which the authorities can now expect. The pressure on sterling was quickly reduced and the customary upward adjustment of all short term domestic interest rates had a restraining effect on the demand for credit. It is now evident that the domestic monetary system is conditioned to absorb both violent and moderate changes in Bank Rate without undue disturbance.

Turning again to the commercial banking scene, for some time the rate of expansion of deposits has been considerably less than the rate of growth in national income and accordingly a reducing proportion of the national monetary cake has been at the disposal of the Banks. It seems likely that this trend will continue as long as the major participants in the monetary cake—the wage earners—are paid in cash and conduct their personal finances on that basis. It is not easy to sell the advantages of a bank connection to people who live mainly in a cash world apart from the use of Post Office services for savings and for the payment of hire purchase instalments and football pool "investments." The recent introduction of the Credit Transfers system may, however, encourage more people to use bank services, including current and savings accounts.

Perhaps the most significant feature in British banking which emerged during the past year has been the tendency for advances to level off after three years of steady and at times rapid growth. It is probable that policy decisions by the Banks—as opposed to official directives—have been in large measure responsible. In a situation where advances may be approaching 50 per cent of customers' deposits there is clearly need for restraint, particularly when modest increases in available funds are skimmed off by the authorities into special deposits. Thus it could be that the expansion phase in bank advances is over, certainly until such time as retained deposits show a marked upward turn. Today's position is of course much healthier from a banking standpoint than that prevailing during the postwar years up to 1958. A retail deposit bank—to use an American expression—is not fulfilling its proper function unless it is able to lend about half of its deposits to its borrowing customers. Moreover, the whole domestic interest rate structure is geared to that basic principle and a reasonable profit from banking operations cannot otherwise be achieved.

THE SCOTTISH ECONOMY

Before examining our own accounts and results I would like to refer to the Scottish economy. Unfortunately we are still not matching the national growth average in our industrial activities. The depression in the shipbuilding and marine industries is more serious than a year ago and has not yet been compensated by developments taking place in motor vehicle construction or other lighter industries. I hold the

view that, to achieve a balanced economy, Scotland needs more of this type of development than is yet in sight.

RESULTS

Our own results for the year have suffered a measure of setback due to a considerable reduction in the dividend we received from our hire purchase investment in Lloyds & Scottish Limited. You will shortly receive the accounts of that company and in my chairman's statement I expand the major causes of the heavy drop in earnings. Suffice to say at this stage that there were two main sources of trouble: (1) losses from bad and doubtful debts in one of the United Kingdom motor divisions which concentrated on the second-hand market and (2) a considerable loss incurred by an overseas subsidiary company. In recent months there has been internal reconstruction of the Lloyds & Scottish group and one operating company now handles all new business in the United Kingdom with integrated management. We have every reason to believe that the long term prospects for the group are good.

Our profit for the year is shown at £1,368,224 compared with £1,540,358. This reflects the lower dividend from Lloyds & Scottish. Our banking profits were well maintained in spite of rising costs and heavier taxation. Out of the year's profit the Board has appropriated £200,000 to Contingency Account, £250,000 to the Officers' Pension Fund and £15,000 to the Widows' and Orphans' Fund. Interim dividends at the fixed rates less tax on the Preference Shares and at 7½ per cent less tax on the Ordinary Shares have been declared and paid. It is now recommended that on the two Preference Share issues final dividends be paid making in all 10 per cent and 5 per cent respectively. The Board also recommends payment of a final dividend on the Ordinary Shares of 9 per cent (making 16½ per cent for the year) less income tax. These dividends are the same as in the previous year, but Shareholders will recollect that a 150th Anniversary bonus of 1½ per cent was also paid a year ago.

The Balance Sheet shows that deposits at £228 million have increased slightly but not significantly during the year. As I stated earlier, this relatively static position of deposits can only be described as disappointing. The increase of over £1 million in the note issue to almost £42 million reflects our share of the increased cash in the hands of the public. Our liquidity ratio, which is measured by comparing cash and other quick assets (£96 million) with our liabilities to the public by way of deposits and notes in circulation, works out at 35.6 per cent which is much the same as a year ago and is regarded as satisfactory.

Loans and Advances to customers are higher by some £6 million at £107 million. At one stage during the year the volume was substantially greater but in recent months there has been

a tendency for advances to fall—in line with the national experience. The above figure of advances is equivalent to 47 per cent of deposits and this underlines my earlier suggestion that the potential for further lending is becoming increasingly dependent on a growth in deposits.

There has been a further reduction in our portfolio of British Government Investments by over £5 million to £52 million, the proceeds having been applied in financing the higher level of advances. These investments are all in dated securities with an average life of rather less than five years, and the aggregate market value is greater than the amount stated in the Balance Sheet. It is interesting to note that three years ago the two separate Banks had total advances of £66 million and aggregate British Government Securities of £98 million. Today's position is much more to our liking.

IMPROVED STAFF BENEFITS

During the year we have had a series of meetings with the representatives of our Staff Association. This is an active and energetic body supported by a majority of the staff. After negotiation we reached agreement on a number of matters such as minimum salary rates at retirement, an extension of the salary scale for women, and minor improvements in the terms and conditions of service. In addition, we jointly formulated a scheme relating to the transferability or deferment of pension rights. Previously, if a member of the staff left the service of the Bank (apart from retirement), no pension credit could be given in respect of the years spent in our service—on the principle, no doubt, that the person leaving had contributed nothing to the pension fund. We felt that this system was out of line with current thought and practice and created an unreasonable obstacle to freedom of choice of occupation or employer. Accordingly the new arrangement broadly provides for the transferability or deferment of accrued pension rights in favour of anyone who leaves us after ten years' employment, and this I think may fairly be claimed as a valuable addition to the benefits available to the staff.

TRUSTEE AND INVESTMENT DEPARTMENTS

From time to time it is appropriate that I should refer in this statement to some of our ancillary activities. Two of the services which we offer our customers have made particularly rapid strides in recent years. I refer to the activities of the Trustee and Investment Departments. There is clearly a growing appreciation in the public mind of the advantages to be gained in appointing a Bank to act in a trustee capacity in the management of investment portfolios and other assets. The main inflow of new business does not come from the estates of persons deceased but from our customers who consider us well qualified to manage or supervise all or some part of their personal or family investments. As a measurement of the recent growth of these departments, the staff has been more than trebled in the past five years.

BOARD CHANGES

During the past year Sir Hugh Fraser, Bart., and Mr Harald Peake resigned from the Board—the latter in view of additional duties involved in his appointment as Chairman designate of Lloyds Bank. We are sorry to lose the benefit of their advice and counsel based on their wide and varied business experience.

We have welcomed as new members of the Board Mr R. J. Henderson, who was formerly

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associated with the Bank in the capacity of auditor, Lord Lloyd, whose appointment maintains an informal link with Lloyds Bank, and Mr John McQueston, who is managing director of Lloyds & Scottish Finance Limited

I feel sure that Shareholders will wish to be associated with the Board in thanking the General Manager and all officers and staff for another year of successful achievement in running the affairs of the Bank.

S. SIMPSON LIMITED

(Manufacturers of DAKS clothing)

The twenty-eighth Annual General Meeting of S. Simpson Limited was held on November 23rd in London.

Dr. S. L. Simpson, the chairman, presided.

The following is an extract from his statement:

In keeping with the policy indicated in my last year's report your company has endeavoured, with a large measure of success, to maintain the prices of its main products and this has been greatly appreciated by our customers in the retail trade, with whom we continue to share sound trading and cordial co-operation.

The demand for DAKS clothes throughout the home and overseas markets continues at a high level and potential expansion is indicated in several directions. For this reason I am glad to announce that the extension to our Scottish production unit, forecast in my last report, was completed recently and opened on October 3rd by the President of the Board of Trade, whose presence on this occasion was very much appreciated. This extension is particularly important for our export trade but will also play a part in meeting the needs of our expanding home market.

GRATIFYING ACHIEVEMENT IN OVERSEAS MARKETS

Your directors have always considered the export of your company's products as an essential part of trading and have always borne in mind its importance to the national balance of trade. Our trade with overseas territories again showed an increase over last year's figures, which in themselves were a record. This is most gratifying in view of the depression in certain territories in which we trade and I consider it to be a great achievement which says much for the efforts and enthusiasm that continue to be shown by your directors in expanding our overseas markets. The recession in the United States did not permit us to maintain the excellent sales figures of an exceptional 1960 year, but orders for their fall season are in keeping with general economic recovery in that country. The Canadian turnover showed a small increase and the sales to Australia, which is a restrictive tariff trade area, were well above those of the previous year. We have received our first order for DAKS clothing from Japan and much interest was shown in DAKS clothing displayed at the trade fair in Moscow. Your company has substantially increased its turnover with other markets outside Europe. Our trading with Europe has also shown a noteworthy increase and we are prepared to take full advantage of any results arising from the Common Market negotiations.

The report and accounts were adopted.

THE ECONOMIST DECEMBER 2, 1961

HARRIS LEBUS LTD.

EFFECT OF RESTRICTIONS

The fourteenth annual general meeting of Harris Lebus Ltd., was held on November 30th in London, Mr Oliver Lebus, the chairman, presiding.

The following is an extract from his circulated statement for the 52 weeks to July 14, 1961:

Stockholders were warned by my predecessor at the meeting last year of the savage effect that hire purchase restrictions were having on the furniture industry and that there was every probability of short-time working and a fall in profit. In February there was a change in legislation in so far as the repayment period was extended to three years, but the effect of the change was insignificant.

In June your Board, being aware of the decrease in profits and the generally adverse conditions, decided not to pay an interim dividend. Since then the Chancellor of the Exchequer has felt it necessary to impose restrictive measures on the economy generally. The restriction on lending by the banks and finance houses for the purpose of hire purchase trading can only have a considerable effect on an industry so dependent upon this form of support.

Furniture is an integral part of a home. House purchase is not subject to such crippling restrictions. I suggest that furniture should be looked on in this context instead of being associated with luxuries such as motor cars, television sets and certain appliances which have contributed so largely to the increase in the outstanding hire purchase debt in the last two years.

APPROPRIATIONS AND DIVIDEND

Out of the trading profits of £255,586 shown, £86,250 has to be set aside for interest on the debenture stock. It is also necessary to provide £108,038 for taxation on the profit of the period. In spite of the reduced profits and the likelihood of the current year being no less difficult, your Board recommend a dividend on the Ordinary stock of 2½ per cent.

During the last few years the Company has expanded materially in fields allied to furniture at home and in furniture production overseas. The upholstery and transport divisions have maintained their valuable contribution to the group profits and the subsidiary dealing with hire purchase finance has increased its already important share.

The Company continues to make its contribution to the currently small volume of furniture exports from this country and is exploring the possibilities of developing this important aspect to larger proportions, with Europe very much in mind.

With the economic and international problems that beset the country, the furniture industry, which for 18 months has been operating at well below capacity, is unlikely to prosper greatly. The current financial year will inevitably be a difficult one.

Your Board is confident that the measures it is taking, some of which in the short term are costly, will in the long run bear fruit and add to the Company's strength.

The report and accounts were adopted.

THE ECONOMIST DECEMBER 2, 1961

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ROOTES MOTORS LIMITED

ENTHUSIASTIC RECEPTION OF NEW MODELS

LORD ROOTES ON EFFECT OF UNCONSTITUTIONAL STRIKES

Lord Rootes (The Chairman) in his Statement to Members said:

The year to July 31, 1961, covered by the accounts of the Group was characterised by a deteriorating national economy associated with economic difficulties in most of the countries with which we trade.

We ourselves also suffered interruption from unofficial strikes including some at certain of our major suppliers.

These conditions at Home and Abroad brought about a reduction in the production of our cars from the peak of the previous year, although our commercial vehicle business continued to expand.

The problems of the USA market which began to appear at the time I made my last report accelerated in intensity and have been a factor in the reduction of earnings for the year under review. The worst has now passed and in recent months the demand from the USA has shown a major improvement.

Australia, traditionally one of our good markets, has passed through a difficult economic period and in consequence our subsidiary in that country showed a fall in profits compared to the previous year.

Here again, however, recently there has been a relaxation of credit restrictions and we look forward to an improved level of business in the future.

ESTABLISHMENT OF BUSINESSES IN SIX EUROPEAN COUNTRIES

Europe, with the United Kingdom's probable entry into the Common Market, has of course, greatly occupied our attention and we have now established our own businesses in six countries. We are confident that this policy will prove to be sound in the future.

We appreciate the formidable nature of the problems with which our Government is faced in securing economic stability. That they have not so far succeeded in arriving at a satisfactory solution, makes equally formidable the task of industry in grappling with the ever-changing scenes in most of the overseas markets, whilst concurrently its Home market demand is constantly unsettled by short-term fiscal "regulators." The credit squeeze, increases in purchase tax, in car licence rates and in tax on fuel oils are some of the changes which of late have adversely affected the demand in this country. These factors, combined with wage increases have also brought in their train a range of direct and indirect cost rises—such as in steel, coal, telephones, postage and rates, to mention but a few of those arising in recent months.

The Board recommend a dividend of 4 per cent, less income tax on the Ordinary and "A" Ordinary Shares for the year ended July 31, 1961.

LABOUR DIFFICULTIES

You are no doubt aware of the very serious labour difficulties with which we have had to contend for many weeks past.

Your Directors have long given a large amount of their time to the important factor of labour relations. Generally we can claim that

these are good throughout the Group, with the exception however, of one manufacturing unit in the London area. Unfortunately during the past financial year we suffered a great number of unauthorised stoppages at British Light Steel Pressings Limited and on September 4th a major strike occurred involving the greater part of the hourly paid employees.

This strike was called in total disregard of the procedure for avoiding disputes established by agreement between the Unions and the Engineering Employers' Federation and continued in spite of the Union's instructions to the strikers to return to work and also of other efforts made jointly by the Unions and the Federation.

The challenge to industrial law and order was such that your Directors had no alternative but to oppose it.

Group production was completely paralysed and many thousands of employees of our own and of suppliers have been thrown out of work. At the time of making this Statement a partial resumption of work has taken place but the position is still far from satisfactory.

As this unfortunate dispute has not yet been solved, it is not appropriate for me to comment on many of its phases. I must, however, make my views clear. Although we adhered strictly to the terms of the Agreement expressly designed to avoid unconstitutional strikes, a number of members of the Unions who are the other parties to the Agreement have ignored them completely. In consequence we have been forced to suffer heavy financial losses, the livelihood of thousands of innocent workers has been taken away and the export trade of the country has been adversely affected.

In the competitive world trading conditions of today and in view of this country's balance of payments position, the nation cannot afford unconstitutional strikes of this nature which paralyse production and seriously jeopardise our exports.

FUTURE DEVELOPMENTS

I have just referred to the heavy losses we have suffered and which at the moment are continuing. Whether it will be possible for us to recoup them during the present financial year is doubtful.

In these circumstances we have given careful consideration to the programme of future developments on which we have embarked. I am glad to say that there will be no alteration to any of our major plans.

The construction of the works at Linwood, near Glasgow, in which our new small car will be made, is progressing speedily and we hope to be able to announce our car with production in reasonable quantity in the Spring of 1963.

With regard to our various products, these continue to hold their high place in public esteem. Moreover, we have recently introduced new model Hillman and Singer Cars and also new Commer Trucks which have been enthusiastically received both at Home and Overseas. The current order book is a good one and I hope that our labour problems will soon be resolved and allow us in the very near future to meet the demand of our dealers and the public.

REGIS PROPERTY

CAPITAL INCREASE APPROVED

The twenty-third annual general meeting of Regis Property Company, Ltd., was held on November 28th in London, Sir Ayasley Bridgland, CBE, chairman, presiding.

The following is an extract from his circulated statement:

Our net profit for the year has increased from £171,736 to £207,345. Our net property revenue increased from £629,224 to £751,738.

This net profit of £207,345 is derived from properties having a book value of £11,642,923. As the market value of our properties is considerably in excess of the book value it will be appreciated that there is a considerable leeway to be made up in the way of rents before our income shows a reasonable return on our investment.

The time-lag in increasing our rents is due to two factors—(a) of the 2,298 flats owned by us there are still 528 rent controlled and (b) the offices still suffer very substantially from the lower level of rents which were obtained immediately after the war.

Rents for our flats are below the average which is being achieved today for comparable accommodation and our flat properties should provide us with a steadily increasing revenue as the rents are adjusted to present-day values. On the other hand, the office rentals receivable under leases granted some 14 years ago will rise substantially as new leases are negotiated. The past year shows some evidence of this and further large numbers of these leases will be falling in over the next four years.

EXPANSION POLICY

Our plans for further expansion are governed by the present high cost of money. We do not think it advisable to use our very considerable financial resources, available by arrangements agreed in principle, until interest rates are more reasonable except in certain cases where we feel the cost can be justified. It may be argued that such an attitude is too conservative under present-day conditions but your Board feel that when the right time comes, as it surely must, we shall be able to profit by our refusal to undertake risks in borrowing monies on long term at a high rate of interest.

We are asking you to agree to increase our authorised share capital to £7,000,000 by the creation of a further 3,000,000 unclassified shares of £1 each.

It is not proposed to issue any of the unissued share capital immediately but it is obvious to your Board that any future plans must not be hampered by any lack of room to manoeuvre especially as in many cases time is limited when negotiations suddenly fructify. In view of the size of the proposed increase of capital I should perhaps make it quite clear that no issue of shares will be made which could affect the present control of the Company or alter the general nature of its business without the prior consent of the Members in General Meeting.

The Board recommend a final dividend for the year of 7½ per cent. (Total, 12½ per cent.)

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

THE INDUSTRIAL FINANCE CORPORATION OF SOUTH AFRICA LIMITED

At the Fourth Annual General Meeting of the Company held on November 13, 1961, the Chairman, **Dr. H. J. van Eck**, referred to the increase in profits from R23,324 in 1960 to R43,416 for the year ended June 30, 1961, and also to the fact that by virtue of the recent call of 5 cents per share the Company's paid-up capital now stood at R1,250,000 while the issued capital remained at R10,000,000.

NEW BUSINESS

No new business commitments were entered into during the financial year but the Company recently agreed to assist in financing the expansion of a successful enterprise in the Cape Province to the extent of between R350,000 and R500,000, partly by way of an equity investment and partly by way of a loan.

STIMULATION OF EXPORTS

The Chairman indicated that the recent over-

STERLING CABLE COMPANY LIMITED

HIGHER OUTPUT OFFSETS RISING COSTS

MR JAMES S. CLARK ON SATISFACTORY CURRENT ORDER BOOK

The thirteenth annual general meeting of Sterling Cable Company Limited was held on November 24th in London, **Mr James S. Clark** (chairman and managing director) presiding.

The following is his circulated address:

Ladies and Gentlemen, I have the pleasure to submit the Report of the Directors and Accounts of the Company for the year ended March 31, 1961.

The Group profit, before tax, was £70,468, compared with £53,129 last year. Income Tax requires £29,855. The Group profit, after tax, is £40,613, out of which we have provided for Preference Share redemption £5,772, and for the Preference dividend, less tax, £6,112. The recommended Ordinary dividend of 7½ per cent, less tax, will require £18,605, leaving £10,124 to add to our carry forward, which now totals £79,014.

PROFIT MARGINS

Last year I told you of the healthy state of our Order Book—the exceptional range of types of cable for the Export and Home markets. As the year progressed it became apparent that the level of prices at which these orders were booked, although improved, still left much to be desired. A considerable portion of our business is taken at firm prices (except for metal variations), which means that all increases have to be absorbed by,

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seas trade missions had established that there were many opportunities for the export of South African products, but had also advocated a vigorous follow-up by the manufacturers themselves. Keen competition had, however, to be expected from other exporting countries and exporters were also faced with the problem of financing these imports particularly when related to heavy capital goods where purchasers expected credit facilities. The provision of this type of finance was receiving the Board's detailed attention.

FUTURE PROSPECTS

Dr. van Eck expressed the view that there were definite signs of a revival of interest in industrial development. A number of important overseas and local corporations had decided to embark upon substantial expansion schemes in South Africa and the new extensions being undertaken by Iscor, Sasol, Foskor and Escom were positive steps which were both encouraging and timeous. He was hopeful therefore that before long increasing calls for financial assistance would be made on the IFC which remained a source of substantial venture capital to private enterprise. He felt that the limited use made of the IFC's resources to date was to some extent tangible evidence of the country's strength in overall financial resources.

and so decrease, the profit margin. There was a steady increase in operational costs throughout the year. Happily we were able to offset the full effect of these rising costs on our contracts by greater and more efficient output.

Our Order Book remains satisfactorily varied and adequate—output is at an all-time high. Profit margins are still below the 1958/59 level, modest as those margins were. We are optimistic that the results for the current year's trading will again show improvement.

EXPORT MARKET

Export continues to be our main preoccupation, and is responsible for approximately half our output. We have been entrusted with the requirements of power, control, and instrumentation cables for many overseas projects of great size and complexity, and again it is our privilege to express our thanks to the Consultants and Contractors concerned for their continued splendid support. The enthusiasm of our staff and operators combined with the compactness and flexibility of our organisation makes it possible to solve the problems constantly met with in the Export market.

The cable industry has to move in front of the times. It must play its part in providing that vital necessity—cheap power. This means constant technical and practical development, the use of new materials requiring new plant and modern methods. Such developments cannot be realised unless there are reasonable profit margins stemming from stabilised trading conditions. Let us hope that goodwill and good sense will create and preserve these essential conditions.

Our team has once again demonstrated both efficiency and goodwill, and I know you join with me in passing on our high regard and warm appreciation.

The report and accounts were adopted.

THE ECONOMIST DECEMBER 2, 1961

RANSOME & MARLES BEARING CO. LTD.

LARGER EXPORT TURNOVER

The Forty-fifth Annual General Meeting of Ransome & Marles Bearing Company Limited was held on November 28th at Newark, **Mr Edward W. Senior**, CMG, chairman, presiding.

The following is an extract from the chairman's circulated statement for the year ended June 30, 1961:

Last year I referred to the effects of the credit squeeze on consumer durables with particular reference to the Motor Industry. A definite recession developed, and it was not until the last two months of our financial year that any appreciable improvement occurred; in point of fact, the output of passenger vehicles in the year under review was 25 per cent lower than in the previous year and, naturally, we did not escape the effects of this reduction in demand.

Notwithstanding these difficult trading conditions, the net trading profit of the Holding Company, after taxation, amounts to £727,177, against £837,778 in the previous year. A second interim dividend of 10 per cent has been paid, making the distribution the same as last year.

Good progress has been made in the construction of the Annfield Plain factory extension which should be in operation in the near future. The purchase of the original factory has been completed. The cost of the extension is estimated at £330,000 and is included in the figure of Capital Commitments, £913,681.

The increase in the Capital reflects the Scrip Issue made last December. The purpose of the Rights Issue was fully explained in the letter of July 7th to shareholders, and the effect of this issue will be shown in next year's accounts. The way in which the rights were taken up was very gratifying, and your Directors are satisfied that the Company now has adequate working Capital.

Our efforts in export markets, in face of keen competition, were rewarded by an increase of 30 per cent in turnover, although the results from two of our subsidiaries, Australia and Canada, were adversely affected by the difficult economic conditions in those countries.

Our associated manufacturing company in Australia—United Bearing Corporation Pty. Ltd.—is developing its manufacturing facilities rather more slowly than had been hoped because of the recession in Australia. We are, however, pleased to see that the Australian economic situation appears to be improving.

SATISFACTORY ORDER BOOK

The order book has shown a slight increase over the year and stands at a satisfactory level. Sales at present show an improvement over the corresponding period of last year.

We are dependent on the requirements of all Engineering Industries; demand from the capital goods industries remains at a high level, but it is doubtful if the full effect of the "Little Budget" has yet been felt on consumer durables, and whether, therefore, the trend will be similar to that of last year. I am, however, hopeful that the diversity of our interests will enable us to maintain a level of output adequate to produce a satisfactory year's trading.

The report and accounts were adopted.

THE ECONOMIST DECEMBER 2, 1961

GEO. ADLAM & SONS LARGER PROFIT & DIVIDEND

The fifty-fourth ordinary general meeting of Geo. Adlam & Sons, Ltd., was held on November 27th at Bristol, **Mr W. Walker, JP**, chairman, presiding. The following is an extract from his circulated statement:

I referred last year to keener prices in tendering due to competition, also to the shortages of stainless steel causing idle time and unrecovered overheads which later would lead to heavier costs to meet delivery promises.

The Directors' intentions at that time to take all possible steps to minimise those losses are reflected in the results whereby a profit was made this year, before taxation, of £33,869 as against £7,916 last year.

During the last two years I have referred to the Directors' policy of looking to the future development of the business rather than in paying dividends, or rather, high dividends. The Directors recommend 10 per cent as against 5 per cent last year.

The order book is very good, particularly on

TOLEDO WOODHEAD SPRINGS

EXPANSION IN EXPORT TRADE

The twenty-third annual general meeting of Toledo Woodhead Springs Limited will be held on December 20th at Coronation Works, Aycliffe, Co. Durham.

In his Letter to the Shareholders accompanying the Report and Annual Accounts 1960-61, **Mr Frank Woodhead** states:

The group trading profit for the year before deduction of depreciation is £142,968. This profit is less than my expectation when last addressing you, but as you will no doubt recollect December of last year saw the beginnings of a serious recession in the Motor Car and Truck Industry. This depressed condition consequently affected our sales at home. Had it not been for the rapid and considerable growth in our export trade, the figure of profit would have been substantially less.

I am glad to say that while business in general is not quite up to the liveliness of fifteen months ago, nevertheless our improving export trade and general business position leaves us without concern about the immediate future.

In fact our confidence in the continuing growth of this Company has led us to making further extensions to our Coronation Works, at the same time installing machinery which will substantially improve the productive potential of the company. In fact we expect to spend some £60,000 on additional machinery.

With the contracts and orders already placed and the long term arrangements which have been entered into, I feel sure that the year ahead of us holds beginnings of a substantial increase in the company's turnover and a rise in its profitability.

Although the group profits for the year are less than last year's best figures, your Board has complete confidence in the growth of this company and has pleasure in recommending a final dividend of 12½ per cent, making a total distribution of 20 per cent as last year, but on an issued capital 50 per cent greater.

COMPANY MEETING REPORTS

stainless steel tanks. This large order book has affected the Company in three ways—shortage of finance, delay in developing diversified products and shortage of production space.

The steps outlined and the high order book made it impossible to deal unaided with production problems. Your Managing Director, Mr Young, with a colleague, Mr Rymer, are the owners of V.P. Sheet Metal Limited, a private company in Cheltenham. That Company owns a factory, part of which it has occupied for many years and part of very recent construction, together with machinery, much of which is complementary to your Company's plant.

It became obvious that by pooling new products, using managerial and executive staffs, labour forces and machinery for the most useful work, and having two Works available, better total results could be obtained; also after complete integration economies would be effected over a few months. Accordingly, your Directors have negotiated the purchase of the issued capital of V.P. Sheet Metal Limited.

Your Directors intend before March 31st next to make a capital bonus issue (not yet determinable) to the Ordinary Shareholders.

The report was adopted.

BRITISH COATED BOARD & PAPER MILLS LIMITED

MR WILFRED HARVEY'S STATEMENT

The twenty-fourth annual general meeting of British Coated Board & Paper Mills Limited was held on November 22nd in London, **Mr Wilfred Harvey** (the Chairman) presiding.

The following is his circulated statement:

The Consolidated Profit and Loss Account shows a balance of profit for the year after providing for taxation of £149,470 as compared with £138,322 in the previous year.

Your Directors are pleased to be able to recommend a final dividend of 20 per cent, less tax, making a total for the year of 27½ per cent, less tax.

The Notice convening the Annual General Meeting includes a Resolution for increasing the Company's borrowing powers. The present limit of £550,000 was fixed in 1937 and is now quite inadequate for our current business needs. The proposed new limit of £1,500,000 should be adequate for the Company's foreseeable requirements.

During the year we have created and brought into production a wider range of papers which has enabled your Company to increase the volume of sales, and although the margin of profit has been less the increased turnover has been responsible for the increased profit.

As to the current year's trading the paper industry as a whole has now to meet severe competition from abroad and the margin of profit with ever increasing costs cannot be maintained unless the volume of sales increase and to this end our Organisation is doing everything possible to meet the position.

Once again I wish to pay tribute to my Colleagues on the Board and to the loyal services rendered to the Company by all our employees.

The report and accounts were adopted and the Resolution increasing the Company's borrowing powers was approved.

B.M.C. Vehicle Capacity Increased —Reply to Export Challenge

*Europe now a key market
World-wide servicing coverage*

Mr. George Harriman, in an introduction to the Annual Statement to B.M.C. Shareholders paid tribute to Sir Leonard Lord, K.B.E., on his retirement as Chairman. Other points from the Statement are as follows:

In this, our 10th year, the difficulties at home and abroad were numerous and stubborn, but were met with vigour. Despite the sharp fall in profits, the Board are confident of the future and recommend an unchanged dividend. This confidence is based on having improved our competitive position within the British motor industry. Improvements in specification are enabling us to face competition at home and abroad with renewed vigour.

Higher performance and re-styled sports cars have rejuvenated US demand. Looking at export prospects broadly, it is encouraging that B.M.C. vehicle stocks throughout the world are now declining, giving confidence that the decks are now being cleared for more export progress in the early future.

At present the combined home and export demands are calling for most of the vehicles we can make, and we must hope that the home market can consistently provide a solid basis for future planning of the expansion essential to our place in export markets.

In the past four financial years, B.M.C. exports to Europe as a whole have advanced by 79 per cent and are still rising. These results were not fortuitous. They came from having the right models, backing them with sound service, and by encouraging a number of loyal and good distributors.

B.M.C. Service Ltd. enjoyed a record year and is currently supporting our distributors and dealers throughout the world with peak availability of parts. We have also introduced a unique new warranty providing very much wider cover.

Looking to the future—and knowing what we have achieved in the past—we journey onward with confidence, well equipped with adequate resources and alert and eager both to resolve the problems and to enjoy the opportunities that lie ahead.



**THE BRITISH MOTOR
CORPORATION**

CRAIGIELEA RUBBER PLANTATIONS

The thirty-sixth annual general meeting of Craigielea Rubber Plantations Limited will be held on December 19th in London.

The following is an extract from the circulated review of the chairman, **Mr H. T. Karsten**.

As a result of the acquisition of the entire capitals of Johore River Rubber Plantations Limited, Layang Rubber Plantations Limited and Middleton Plantations Limited the issued capital of Craigielea has been increased to £792,001 and the Group acreage under rubber now stands at 14,196 acres.

The Group net profit for the year amounted to £106,843, of which £52,403 was in respect of Craigielea and £54,440 was contributed by the Subsidiaries. These results enable a dividend of 12½ per cent to be paid for the year, as against the 15 per cent which was paid last year on the smaller capital of £355,063.

Having referred to the year's crop figures for Craigielea and also for the Subsidiaries since acquisition, which gave a total of 5,330,000 lbs., the chairman continued:

The crop for the first six months of the current year totals 2,737,000 lbs. and is a little ahead of the output for the corresponding period in 1960.

The average spot London price for No. 1 Smoked Sheet for the first six months of the current year was approximately 2s. 1½d. per lb. or some 4d. per lb. lower than the average price for the previous year. The price has since dropped to around 1s. 10d. per lb. and consequently the results for the current year are likely to be significantly less favourable than those for 1960/61.

MERLIMAU PEGOH

The fifty-second annual general meeting of Merlimau Pegoh, Limited, will be held on December 21st in London.

The following is an extract from the review of the Chairman, **Sir Harry Townend**, for the year to March 31, 1961:

The Group profit, after taxation, amounted to £278,124 as against £235,022 in the previous year. Included in this figure is £16,093 attributable to Dennistown Rubber Estates, which became a Member of the Group during the year, but nothing on account of our interest in Middleton Plantations which was sold to Craigielea Rubber Plantations in exchange for cash and shares in that company. The results enable a total dividend of 20 per cent to be paid by way of interim payments of 6 per cent and 14 per cent on the capital as increased from £1,118,267 to £1,153,388. Last year a total of 25 per cent was paid.

In referring to the Group's crop figures, the chairman said that the satisfactory increase shown during the year under review had been maintained in the current period, the crop for the first six months having risen from 5,860,000 lbs. to 6,627,000 lbs.

He continued: Replanted areas progressively reaching maturity and increasing yields from mature post-war replantings have contributed to the increased output.

The average spot London price for No. 1 Smoked Sheet for the first six months of the current year was approximately 2s. 1½d. per lb. or 4d. per lb. lower than the average for the whole of the previous year. The price has since dropped to around 1s. 10d. per lb.

SOUTH AFRICAN IRON AND STEEL INDUSTRIAL CORPORATION

DR F. MEYER'S ADDRESS

Dr F. Meyer, chairman of the South African Iron and Steel Industrial Corporation Limited (Iscor), in addressing the thirty-second ordinary general meeting of shareholders at Pretoria on November 22nd, said:

The net profit for the year ended June 30, 1961, after taxation, amounted to R22,360,495 compared with the previous year's figure of R22,244,634.

For the first time in the Corporation's history the annual ingot steel production exceeded the 2,000,000 ton mark. During the year under review the two works produced 2,212,244 ingot tons. It is interesting to note that only nine years ago the Corporation for the first time produced more than one million ingot tons of steel per annum.

The net sales value of all the products sold during the financial year amounted to R112,516,424 compared with R116,029,392 for the previous financial year.

These figures included the export to overseas countries and African territories of 85,342 tons of steel, 62,275 tons of pig iron, and 2,565 tons of coke oven by-products. The invoice value of these exported products amounted to R8,829,000.

The total supply for the year of rolled and drawn steel products from local and overseas sources was estimated at about 1,892,000 tons, an increase of 216,000 tons over the adjusted figure of 1,676,000 tons last year, or 13 per cent more.

Of this tonnage, producers in the Republic supplied 90 per cent, Iscor's share being 76 per cent, whereas in the previous year the corresponding percentages were 92 and 77.

During the financial year a slackening occurred in the local demand for certain steel products. The Corporation decided to maintain maximum production as far as possible and, as when the same thing happened three years ago, to find export markets for those products which the Republic did not require. As already mentioned 85,342 tons of steel and 62,275 tons of pig iron were exported up to June 30th. Since then exports have continued. For the first three months of the current financial year export orders for iron and steel products to the value of R6,330,900 have been secured. The whole matter of greater export of Iscor products is receiving attention.

With the exception of minor adjustments in Iscor's price structure there has been no general price increase in the course of the year under review. In fact, since 1952 there has been no general upward adjustment in Iscor's prices, which is in contrast with what has happened in all other steel producing countries.

The Corporation's annual production capacity has now reached the target of 2,350,000 ingot tons, and the extension scheme costing R112,000,000 is nearing completion.

With regard to the R560,000,000 major extension scheme, referred to in my last statement, a thorough study has been made of various

aspects and some tenders have already been received. It is expected that approximately three-quarters of this amount will be spent in the Republic on equipment which can be made here, on the construction of the many buildings required, on the provision of the necessary services such as tracks, roads, water, power, etc., and on the manufacture and erection of the plant involved. It is too soon for these plans to affect the local engineering industry but it should not be long before this will take place.

It is proposed to carry out this major expansion programme in consecutive steps. Apart from a comparatively small addition of 150,000 ingot tons per annum at Pretoria the first two major steps will be effected at Vanderbijlpark.

The Pretoria additions and the first steps at Vanderbijlpark should be in operation in 1966 and the second step at Vanderbijlpark not later than 1969. This should bring Iscor's annual ingot capacity to between 3,800,000 and 3,900,000 tons. The exact tonnage can still be amended if necessary before 1969.

There is no need at the present moment to decide on the exact scope nor on the geographical site of the further steps in this expansion programme. It is an opportune time to explain that the reasons for planning additions to our existing works before establishing a works at a third site are, firstly, the very much higher capital expenditure required to provide the same increase in our steel manufacturing capacity at a new site as compared with that of enlarging an existing works; secondly, the lower overhead and general costs per ton that can be achieved when expanding existing facilities as compared with those likely to be incurred with a separate works; thirdly, the time factor and staff problems.

During the year a total of R30,100,313 was paid out in direct salaries and wages while R2,666,972 was spent on indirect benefits.

C.L.R.P. INVESTMENT TRUST LIMITED

INCREASED INCOME

The Thirty-first Annual General Meeting of C.L.R.P. Investment Trust Limited was held on November 29th in London. **Mr H. D. Curry**, chairman and managing director, presiding, stated that the consolidated revenue showed an increase over the 12 months of £20,440, or nearly 9 per cent. The mid-year report on April 19th showed an increase in total revenue of 16 per cent and it may be recalled Mr Curry then warned that growth was unlikely to continue on that scale. The board now recommended a final payment of 11½ per cent, making the total dividend for the year 19 per cent.

The valuation of the portfolio at August 31st last showed an appreciation of £2,171,200 over the book value of £2,097,996.

By the time of the mid-year report in April the Investors Chronicle monthly securities index for industrials had climbed 107 points to a peak of 587.3 at which period the break-up value of the 5s. ordinary units was approximately 25s. 0d. In the following four months to the 31st August there was a recession and the index fell to 493.7, i.e. 93.6 points, or nearly 16 per cent, whereas the fall to 24s. 10d. at that date in break-up value of the 5s. units was negligible in comparison.

The report and accounts were adopted.

COMPANY AFFAIRS

Banks and Hire Purchase

INVESTORS who are showing their usual interest in bank shares in advance of the January dividend season should on balance be pleased with the full results of the **National Commercial Bank of Scotland**. These show, admittedly, a drop in disclosed profits from £1,540,000 to £1,368,000, but this fall is more than accounted for by the fall in the bank's dividend from its hire purchase interest in Lloyds and Scottish Finance, from £597,000 to £184,000. Apparent banking profits have therefore risen by nearly £250,000, or 25 per cent. The full accounts of Lloyds and Scottish are due next week, but in the meantime Mr Macdonald, chairman of both the bank and the hire purchase company, has said that the "measure of setback" in hire purchase earnings is due to losses incurred by a subsidiary in Jamaica as well as by operations in Britain.

In his statement accompanying the bank's accounts, Mr Macdonald draws attention to the general sluggishness of bank deposits. And although credit transfers are encouraging more people to use the banks, he sees no likelihood of a large increase in deposits so long as wage-earners are paid in cash. This is substantially true—and one lesson for the banks is surely to make their deposit rates competitive. Deposits at the National Commercial increased by less than one per cent in the year to October 28th—although the Scottish banks as a whole secured an increase of three per cent. Mr Macdonald also points out that with advances approaching 50 per cent of deposits any further lending is becoming increasingly dependent on a growth in deposits. And in this respect he feels that the recent levelling out in advances is more a reflection of the banks' own caution than of official action and requests.

While the National Commercial's dividend from its hire purchase interest has fallen by nearly 70 per cent the National Provincial Bank's wholly owned subsidiary, **North Central Finance** (formerly North Central Wagon Finance), has maintained its dividend at 20 per cent and its profits before tax for the year to September 30th have risen from £874,000 to £1,410,000, which is close to the 1959 level of £1,580,000. This is the first piece of good news from a hire purchase company for a very long time. The chairman, Mr Duncan Taylor, was one of the few people in the hire purchase field who treated last year's setback as something more than an isolated slip-up. "It is unlikely," he said then, "that there will be any material improvement in the near future." The recovery in profits this year has occurred at a time when business has been running at a lower level and when borrowing costs must have been somewhat higher. The company has obviously been

successful in chasing its defaulters: last year accounts with two or more rents owing were stated at some three per cent of balances outstanding. The National Provincial did not increase its representation on the board after last year's setback, but the board was strengthened last March by the appointment of Mr John Paterson. He had previously been managing director of Rootes Acceptances, a subsidiary of Astley Industrial Trust.

Handley Page

IN the next few years the profits of Handley Page will largely depend upon the number of Herald aircraft that are sold. On this, Sir Frederick Handley Page is optimistic. Between 80 and 90, he says, will have to be sold to recover development expenditure already written off (£3.3 million) and the costs of production and production tools. So far, Handley Page has sold 19 and it has options on seven more. There is still a big gap; but Sir Frederick expects greatly increased sales in the near future and arrangements have been made for stepping up production in 1962 and 1963. Were sufficient Heralds eventually sold the amount available for dividends and free reserves would rise appreciably, as development costs on the aircraft, which in past years absorbed a good deal of the cash flow, would be recouped.

This prospective improvement in liquidity will not take place immediately. At the end of last December the company owed more than £3¼ million to the banks and the value of stocks and work-in-progress was high, partly reflecting delay in settling redundancy and price claims arising from the cancellation of part of an order for Victor 2s. This also delayed the publication of the accounts. These make a good showing, for gross profits in 1960 amounted to £1,051,000 (against £573,000) even though as much as £798,000 (against £452,000) had to be written off before striking the profit balance. Work was withdrawn from sub-contractors; the commercial division is more diversified and Sir Frederick expects it to contribute progressively to earnings in the coming years; and sub-contract work was accepted from other companies. Handley Page has maintained a high level of activity this year and Sir Frederick says that this year's results will be at least up to those of 1960. Hence a further dividend of 15 per cent should present no difficulty. Indeed, if the dividend decision were again delayed there might be the possibility of something more than 15 per cent. for in deciding upon the 1960 payment the directors deferred to the Chancellor's request and did not reconsider their dividend policy. The future of the 5s. shares, currently yield-

ing 7½ per cent at 9s. 9d., may therefore be more hopeful, though hardly full of dynamic promise. So much turns on the number of Heralds that are sold; but the spectacle of steady commercial effort by the one independent company left in the aircraft industry is not to be despised.

Metal Box

THE surprise in the Metal Box interim statement was not that profits fell in the six months to end-September, for in June the chairman had indicated that some fall was likely. It was the revelation that while demand at home had picked up quickly, progress recently made by the overseas subsidiaries has been abruptly halted. The accompanying table shows that profit and sales at home had risen and also that margins have actually improved. On the other hand, sales overseas, though well up on those for 1960 are below those for the six months to March 31st, and profit margins have fallen sharply.

The directors say that margins are still under pressure, but they expect profits for the full year to March 31, 1962, to be close to those of 1960-61. They hope to main-

Six months to	Sept. 30, 1960	Mar. 31, 1961	Sept. 30, 1961
Sales:		£ million	
Home	33.0	31.9	34.0
Overseas	11.6	14.3	13.4
Total	44.6	46.2	47.4
Trading profit:			
Home	3.3	2.7	3.0
Overseas	1.4	1.6	1.3
Total	4.7	4.3	4.3
Profit margins:		per cent	
Home	10.0	8.5	8.8
Overseas	12.1	11.2	9.7
Total	10.5	9.3	9.1

tain the dividend at 12 per cent on the capital as increased last January by the one for six rights issue. On this forecast the £1 shares at 82s. yield under 3 per cent. This return fully discounts the prospect of growth in the short term and looks well ahead to the long term effects of the group's expansionary policies, reflected in the £4¼ million spent on fixed assets in the past half-year.

Following the interim statement has come news of a take-over bid for Wallis Tin Stamping, the Dorset manufacturers of metal bottle caps and refrigerators. The offer to both Wallis preference and ordinary shareholders is an exchange into Metal Box shares, with preference holders maintaining their income though losing their present voting rights. On the terms of one Metal Box ordinary for every five Wallis 2s. ordinary shares, equity shareholders will suffer a slight loss of income, receiving 12 per cent (against the equivalent of 12½ per cent). However, the offer is worth 16s. 6d. against a pre-bid price of 14s. 3d.; before this year the price of the Wallis shares had not risen above 10s. since 1953 as the company's dividend policy has been conservative. The offer has been approved by holders of ordinary and preference (including Bovril) with about 45 per cent of the votes.

(Company Affairs continued on page 974)

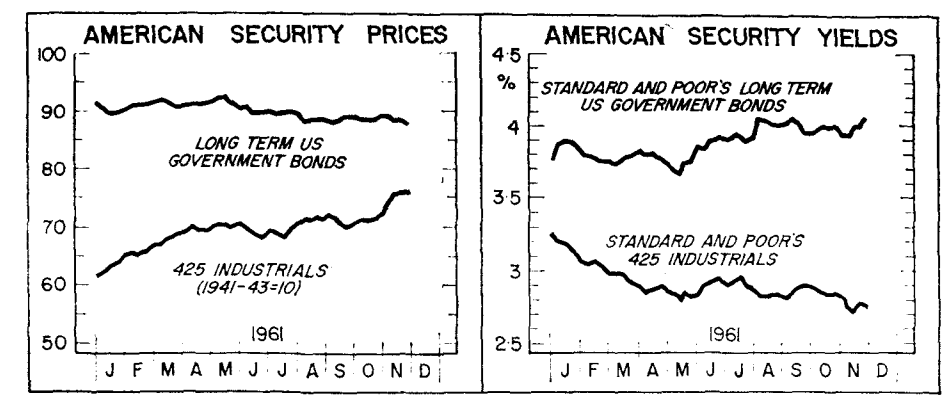
YORK STOCKS

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The Economist Indicator (1953=100)					
1961	Indicator	Yield %	1961		
Oct. 25	345-0	5-41	High	Low	
Nov. 1	356-0	5-28			
" 8	356-4	5-28			
" 15	368-9	5-11	427-2	342-7	
" 22	356-6	5-11	(May 10)	(Oct. 18)	
" 29	356-9	5-33			

Financial Times Indices					
1961	Index †	Ord. Yield	Fixed Int. ‡	2½% Consols Yield	Bargain Marked
Nov. 23	293-4	5-38	83-30	6-51	11,876
" 24	295-1	5-31	82-11	6-45	12,015
" 27	295-2	5-34	82-94	6-45	13,869
" 28	297-6	5-30	82-97	6-43	11,731
" 29	298-7	5-28	82-96	6-43	11,893

High, 365-7 (May 15). Low, 284-7 (Oct. 16).
 † July 1, 1952=100. ‡ 1952=100.



* Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £. || Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (i) To latest date.

** Yields based on assumed dividends:—A.C.V., 16%. Bass, Mitchell & B., 11%. Calico Printers, 20%. City & Centre Props., 25½%. Coats, Patons & B., 12½%. Guardian, 26½%. Guinness, 22%. Hawker Siddall, 10.6%. Ind Coope, T.A., 12% on merger terms. Lloyds Bank, 10½%. Midland Bank, 15%. Royal Assurance, 30%. Thomson Organisation, 24%. 12.3%. Woodall-Duckham, 21%.

Joseph Lucas

IN 1959-60, the profits of Joseph Lucas did not rise nearly so quickly as those of its principal customers in the motor industry; but in the year to July 31st last an increase in the sales of its components to the commercial vehicle and aircraft industries and comparatively stable sales in the replacement market helped to cushion the fall in its profits. But for much of the year business with the car makers was unprofitable, and as stocks piled up and margins narrowed the group's cash resources dwindled, so that by the end of July there was a bank overdraft of £1,347,000.

Overseas the group fared ill in Australia and Canada but went ahead with expansion plans in France and Germany. The chairman, Sir Bertram Waring, says that in order to finance further developments in the common market the group intends to raise a long-term loan outside the sterling area. The group spent £5 million on capital account in 1960-61 and with outstanding commitments amounting to £4.2 million it is not surprising that Joseph Lucas is looking for new capital funds. In the short run the group should be able to maintain its sales outside the motor industry, but its immediate prospects are dimmed by the

	1958-59 (£000's)	1959-60 (£000's)	1960-61 (£000's)
Sales.....	101,300	122,600	123,200
Gross profit.....	10,071	10,746	9,753
Net profit.....	2,509	2,923	2,368
Ordinary dividend.....	12½	13½	13½
Gross profit/sales.....	9.9	8.8	7.9

low return on components sold to it. Looking further ahead, the Joseph Lucas group has geared its development plans to those of the motor manufacturers and if, for instance, sales fail to rise to match the increase in capacity in the British motor industry it is difficult to believe that Joseph Lucas would be unaffected. So far, however, its profits have swung less violently than those of the motor industry and this is reflected in the yield of 4.9 per cent offered by the £1 shares at 56s. 3d. on a maintained dividend of 13½ per cent, covered 2½ times.

Birfield Industries

THAT the good results from Birfield Industries have not surprised shareholders is due to that company's commendable enterprise in publishing quarterly figures of sales and profits. For those less well acquainted with the company, but knowing something of its connections with the motor industry, the results must seem surprising, for sales in the year to July 31st were up by 11 per cent, from £26.9 million to £28.1 million, and profits before tax up by 28 per cent, from £2.6 million to £3.4 million. In fact car components account for about 35 per cent of Birfield's sales and commercial vehicle components for a further 13 per cent but it was sales outside the motor industry which brought about the advance in profit. These included farm

machinery, garage equipment, blotting paper, powder metallurgical products and filter units. Trade with the motor industry, moreover, was helped by the good demand for constant velocity joints, used particularly in mini-cars.

After a rise in stocks from £4.4 million to £6 million, the group's overdraft had risen from £354,000 to around £1,250,000 by the end of June. In addition a loan of £1 million, raised to finance the acquisition in America of Bound Brook Oil-Less Bearings, is outstanding. But with a net cash flow of over £3 million and capital commitments not expected to exceed £3 million over the next 18 months or so the company does not contemplate an issue. At 65s. the £1 shares yield only 3.1 per cent and with profits showing a slight fall so far in the current year they may look high enough—though not necessarily too high for the maintained dividend of 10 per cent on the capital as increased by a one for five scrip issue is covered almost six times.

Gas Purification

A DIFFICULT year of trading has made its further mark on Gas Purification's already unimpressive balance sheet: against a cash balance of only £34,000 at the end of June were ranged bank bills and overdrafts of £1.2 million. Big stocks held by the major subsidiary, Grundig, were one reason for this state of affairs but stocks are now being reduced and the cash balances will be reinforced by the sale of the machine tool division of Smart and Brown and of a lease held by another subsidiary for £475,000.

Shareholders may wonder about cutting off noses and spitting faces for the sales of Smart and Brown rose by 20 per cent and its profits rose almost three fold in the year to June 30th—in sharp contrast to the performance of the whole group, which lost £15,000 net, against a profit of £811,000. However, the chairman, Mr D. D. Mathieson, has described the machine tool division's record as "inconsistent." The results of Grundig tape recorder subsidiary he admitted were "extremely disappointing"; it was hit late in the year by the revaluation of the mark, which added to the costs of supplies from Germany. The change to direct trading also required extra finance and distribution and other costs rose sharply. Mr Mathieson said that prospects in the tape recorder field are now "much more encouraging."

Changes in the board room have accompanied the increasingly depressing news from the group and shareholders who receive no dividend, against 35 per cent, will hope that the appointment of Mr Joseph Green, the group's third chairman within a year, will lead to more profitable trading. Presumably, one of his first problems will be concerned with the raising of further finance. Investors have learnt the lesson of the industrial holding company the hard way: the 5s. shares of Gas Purification now stand at 6s. 9d., compared with this year's peak of 19s. and the 1960 peak of 34s.

THE ECONOMIST DECEMBER 2, 1961 London Stock Exchange

FIRST DEALINGS:	Nov. 13	Nov. 27	Dec. 11
LAST DEALINGS:	Nov. 24	Dec. 8	Dec. 28
ACCOUNT DAY:	Dec. 5	Dec. 19	Jan. 19

THE stock market was in a hesitant mood before the weekend, with equity prices moving lower on Thursday but rallying on Friday as the pressure from sellers was outweighed by bear covering. Buyers held off disappointed by the TUC decision to postpone the question of joining the national planning board and worried by comments on the vulnerability of sterling. But the new account opened with equity prices rising steadily if slowly throughout the first half of the week; but the level of business remained small. Over the week *The Economist* indicator gained 0.3 of a point to 356.9.

Gilt-edged stocks felt the influence of misgiving in the market about the pay pause and the stability of the pound last Thursday but small buying on Friday was enough to push prices up again. On Tuesday and Wednesday buyers were again predominant and short dated stocks which had lost ground before the weekend responded to investment demand. Exchequer 5½ per cent 1966 gained ½ to 98½ while among medium dated stocks Conversion 5 per cent 1971 and Conversion 5½ per cent 1974 remained unchanged at 92½ and 92½ respectively. Long dated stocks were steady but there were small falls among the irredeemables.

In the equity market selective buying helped to raise prices and the gains were generally held in the face of a few profit takers. Building shares were irregular but Associated Portland made good some of their recent losses and closed 2s. higher at 55s. 6d. Rumours of a take over bid for J. and F. Stone pushed the price up sharply to 33s. 6d. but the shares fell back later to 30s. 9d., only 6d. higher over the week. Other store shares were fractionally lower. Among chemicals ICI moved erratically throughout the week to close 1s. lower at 59s. 7½d. Metal Box fell ahead of the interim results but improved later on bear closing to lose only 1s. over the week at 83s. After many lean weeks steel shares revived in front of the dividend season. United Steel was outstanding and gained 2s. 10½d. to 41s. 3d.

Some industrial shares however felt the effect of unfavourable news. Gas Purification lost 1s. 6d. to 6s. 9d. following the full report, and Allied Ironfounders 3s. 9d. to 44s. after the lower interim dividend. Food shares were dull early in the week but gained 1s. 7½d. to 48s. 3d. ahead of the results. Paper shares fell back under the influence of the EFTA tariff cut and Bowater was 1s. 3d. lower at 44s. 6d. Oil shares gained under the lead of Shell Transport, which rose 3s. to 115s. 3d. Kaffirs rose on their lowest since 1939. Most interest focused on finance houses and Union Corporation gained 3s. 3d. to 61s. 3d.

THE ECONOMIST DECEMBER 2, 1961

EXCHEQUER RETURNS

For the week ended November 25, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £38,261,000 compared with a deficit of £7,907,000 in the previous week and a deficit of £45,381,000 in the corresponding period of last year. There was a net receipt "below-line" of £23,034,000 leaving a total cumulative deficit to date of £732,850,000 compared with £748,827,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, to Nov. 26, 1960	April 1, 1961, to Nov. 25, 1961	Week ended Nov. 26, 1960	Week ended Nov. 25, 1961
Ordinary Revenue					
Income Tax.....	2,728,500	853,454	981,926	23,983	28,258
Surplus.....	210,000	46,700	53,800	1,400	1,400
Death Duties.....	240,000	147,900	167,300	4,900	5,000
Stamps.....	94,000	57,800	63,700	1,600	1,600
Profits tax, EPT and EPL.....	325,500	188,900	235,300	5,200	7,500
Other Inland Rev. Duties.....		50			
Total Inland Rev.	3,598,000	1,294,804	1,502,026	37,083	43,758
Customs.....	1,550,000	972,495	1,069,507	26,590	33,421
Excise.....	960,000	653,415	671,640	11,530	13,740
Total Customs and Excise	2,510,000	1,625,910	1,741,147	38,120	47,161
Motor Duties.....	155,000	39,187	47,235		
PO (Net Receipts).....	40,000	18,300	23,800		
Broadcast Lic's.....	205,000	40,244	160,999	3,487	994
Sundry Loans.....		77,741			
Miscellaneous.....					
Total	6,508,000	3,096,186	3,475,207	78,690	91,913
Ordinary Expenditure					
Debt Interest.....	660,000	397,212	435,257	4,313	4,688
Payments to N. Ireland Exch.....	92,000	53,549	56,208	3,553	3,894
PO Fund—Initial settlement.....	15,000		7,282		
Other Consolidated Funds.....	8,000	4,630	4,898	10	15
Supply Services.....	5,186,902	3,045,187	3,304,615	115,815	121,357
Total	5,961,902	3,500,578	3,808,260	123,691	129,954
Sinking Funds	40,000	23,820	24,164	380	220
Above-line Surplus or Deficit		128,212	357,217	45,381	38,261
Below-line "Net Expenditure"		320,615	375,633	23,433	23,034
Total Surplus or Deficit		748,827	732,850	21,948	15,227
Net receipts from:					
Tax Reserve Certificates.....	172,344	181,209	7,178	3,782	
Savings Certificates.....	43,500	—	—	—	—
Defence Bonds.....	70,680	18,562	2,032	642	
Premium Savings Bonds.....	38,120	27,200	1,350	600	
Total	324,644	208,571	10,260	3,824	

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

FLOATING DEBT

	Treasury Bills	Ways and Means Advances	Total Floating Debt
	Tender	Tap	Public Dept. Bank of England
1960			
Nov. 26	3,670.0	1,571.7	189.1 1.3 5,432.1
1961			
Aug. 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	3,340.0	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
14	3,260.0	2,003.4	208.7 ... 5,472.2
21	3,270.0	1,997.8	183.1 ... 5,450.9
28	3,280.0	2,003.2	211.5 ... 5,494.8
Nov. 4	3,280.0	2,063.7	201.1 0.8 5,545.5
11	3,290.0	1,990.7	216.9 ... 5,497.6
18	3,310.0	1,976.2	250.6 ... 5,536.8
25	3,330.0	2,016.1	205.3 ... 5,551.4

Money and Exchanges

THE MONEY MARKET

THE Treasury bill rate continues to hold firm: at last Friday's bill tender the average rate of discount for 91-day bills fell by only 0.31d. to £5 7s. 9.40d. per cent. The syndicate of discount houses put in an unchanged bid of £98 13s. 1d. for these bills. This week the authorities have again given the Bank rate screw a small twist; on Tuesday and Wednesday two or three houses were forced to borrow small amounts from the Bank at the penal rate. The market received 42 per cent of its application for 91-day bills, against 56 per cent in the previous week—the offer of £220 million was under-allotted by £10 million—but it improved its quota of 63-day bills from 85 to 90 per cent.

Credit was in fairly free supply before last weekend and the authorities found no need to help the market. Rates for short loans opened at 5½ per cent and fell to the clearing banks' minimum of 4½ per cent by mid-afternoon. On Monday, however, the authorities gave the market a moderate amount of help by special purchase of bills, and on Tuesday this help was large, but it was not sufficient to save part of the market from calling on the Bank for its final balances.

MONEY RATES

LONDON		NEW YORK	
Bank rate (from 6½% 2/11/61)	%	Discount rates (Wednesday):	%
Deposits (7 days' notice)	6	Bank bills:	
Banks.....	4	60 days.....	5½-5½½
Discount houses.....	4-4½	3 months.....	5½-5½½
Local Authorities.....	6½	4 months.....	5½-5½½
Call money:		6 months.....	5½-5½½
Clearing banks.....	4½	Fine trade bills:	
Day-to-day.....	4½-5½	3 months.....	6½-7½
		4 months.....	6½-7½
		6 months.....	7-8

Official Discount rate:	%	Treasury bills:	%
from 3½%, 11/8/60	3	Nov. 20.....	2.537
		27.....	2.606

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates : Spot					
	November 29	November 23	November 24	November 25	November 27	November 28	November 29
United States \$	2-78-2-82*	2-81½-2-82	2-81½-2-82	2-81½-2-82	2-81½-2-82	2-817½-9-16	2-817½-9-16
Canadian \$		2-92½-2-93	2-92½-2-93	2-92½-2-93	2-92½-2-93	2-92½-9-31½	2-93½-9-31½
French Fr.	13-622-14-027	13-807-81½	13-807-81½	13-81-81½	13-81-81½	13-81½-81½	13-807-81½
Swiss Fr.	11-94-12-54½	12-16½-17	12-16½-17	12-16½-17	12-16½-17	12-16½-17½	12-15½-16½
Belgian Fr.	137-96	140-12½	140-12½	140-12½	140-12½	140-10-	140-10-
Dutch Gld.	142-05	17½	17½	17½	17½	15	15
9-98½-10-28½		10-13½-34	10-13½-34	10-13½-34	10-13½-34	10-13-13½	10-12½-13½
W. Ger. D-Mk.	11-037-11-365	11-26½-27	11-26½-27	11-26½-27	11-25½-26	11-26-26½	11-26½-27
Portug. Esc.		80-18-28	80-18-28	80-18-28	80-17-27	80-17-27	80-17-27
Italian Lire	1725-1775	1746½-47½	1747-47½	1747-47½	1747-47½	1747-47½	1746½-47½
Swedish Kr.	14-27½-14-70	14-54-54½	14-53½-54½	14-53½-54½	14-54-54½	14-54-54½	14-53½-54½
Danish Kr.	19-06½-19-62	19-39½-39½	19-39-39½	19-38½-39	19-37½-38	19-36½-37½	19-36½-37½
Norwegian Kr.	19-71-20-30½	20-02-02½	20-02-02½	20-02-02½	20-02-02½	20-02-02½	20-01½-02½
* Official Limits							
One Month Forward Rates							
United States \$	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm
Canadian \$	13½-13½c. pm	13½-13½c. pm	13½-13½c. pm	13½-13½c. pm	13½-13½c. pm	13½-13½c. pm	13½-13½c. pm
French Fr.	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-2½c. pm	2½-1½c. pm	2½-1½c. pm
Swiss Fr.	4-3½c. pm	4½-3½c. pm	4½-3½c. pm	4½-3½c. pm	4½-3½c. pm	4½-3½c. pm	3½-3½c. pm
Belgian Fr.	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm	35-25c. pm	32-22c. pm	30-20c. pm
Dutch Gld.	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm
W. German D-Mk.	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm
Three Months Forward Rates							
United States \$	17½-13½c. pm	17½-13½c. pm	17½-13½c. pm	17½-13½c. pm	17½-13½c. pm	17½-11½c. pm	17½-11½c. pm
Canadian \$	2½-2½c. pm	2½-11½c. pm	2½-11½c. pm	2½-11½c. pm	2½-11½c. pm	2-1½c. pm	2-17½c. pm
Swiss Fr.	9-8½c. pm	9½-8½c. pm	9½-8½c. pm	9½-8½c. pm	9½-8½c. pm	9½-8½c. pm	9½-8½c. pm
W. German D-Mk.	9½-8½c. pm	9½-8½c. pm	9½-8½c. pm	9½-8½c. pm	9½-8½c. pm	9-8½c. pm	9½-8½c. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	249/9	249/8½	249/8½	249/8½	249/8½	249/8½	249/9½
(\$)	35.16	35.15½	35.15½	35.15	35.15	35.15	35.16

UK External Trade

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

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

BRITISH			
Prices and Wages.....	Nov. 25th	External Trade.....	This week
Manpower and Output....	Nov. 18th	Industrial Profits.....	Oct. 14th
OVERSEAS			
Western Europe.....	Sept. 30th	United States.....	Nov. 11th

	Unit	Monthly averages			1960			1961				
		1958	1959	1960	Aug.	Sept.	Oct.	June	July	Aug.	Sept.	Oct.
VALUE												
Imports :												
Total	£ million	312.3	331.9	379.9	381.5	363.4	378.7	371.3	350.2	358.8	343.1	378.0
Food, drink and tobacco	"	124.2	126.5	128.8	117.8	123.9	139.9	122.9	114.5	113.9	123.1	136.2
Basic materials	"	74.1	77.6	88.6	98.5	83.6	81.9	84.6	76.8	87.0	71.9	79.8
Fuels	"	36.6	38.9	40.2	43.6	38.1	38.4	37.8	41.3	38.7	35.3	40.0
Manufactures	"	76.1	87.6	120.7	119.7	116.7	117.1	124.1	116.1	117.8	111.3	120.6
Exports of UK produce :												
Total	"	264.7	277.5	296.3	281.0	261.3	258.9	316.3	308.7	305.2	260.5	319.4
Manufactures—Total	"	222.5	234.5	250.1	239.1	219.2	213.3	270.2	263.7	259.6	215.6	265.7
" Metals	"	36.0	37.8	39.3	34.4	35.4	36.3	39.9	40.8	35.9	30.7	41.2
" Engineering products	"	115.6	122.4	131.0	125.3	105.3	104.6	150.3	140.0	148.3	112.0	139.9
" Textiles	"	21.2	20.7	21.8	21.7	21.2	20.1	19.6	21.4	19.1	18.1	20.8
Re-exports	"	11.8	10.9	11.8	12.9	12.8	12.1	13.8	14.4	13.4	12.5	13.0
Balance of trade (exports less imports)	"	-35.8	-43.5	-71.8	-87.6	-89.3	-107.7	-41.2	-27.1	-40.2	-70.1	-45.6
VOLUME (1)												
Imports :												
Total	1954=100	114	122	138	135	...	141	137	...	128	...	137
Food, drink and tobacco	"	119	118	121	113	...	129	121	...	115	...	...
Basic materials	"	94	101	110	112	...	110	106	...	94	...	...
Fuels	"	124	143	157	151	...	162	162	...	155	...	...
Manufactures	"	132	150	201	199	...	199	198	...	187	...	...
Exports :												
Total	"	111	116	122	113	...	125	127	...	119	...	...
Manufactures	"	113	117	124	116	...	124	131	...	121	...	131
BY AREA												
Imports :												
USA	£ million	29.2	30.9	47.3	45.1	49.5	57.4	32.7	28.3	36.2	40.9	53.4
Canada	"	25.7	26.0	31.3	35.7	28.9	32.8	30.3	29.4	31.5	27.5	29.7
Latin America	"	24.6	26.8	26.0	27.3	22.6	25.6	26.2	24.2	21.8	18.4	18.9
West'n. Europe—Common Market	"	44.4	46.6	55.2	51.7	53.2	53.5	60.1	57.2	56.3	53.7	58.3
" Free Trade Association (3)	"	36.2	39.0	46.7	50.2	50.7	47.1	51.7	48.8	47.2	46.3	45.3
Soviet Eastern Europe	"	8.5	9.7	11.6	14.0	13.4	15.3	11.7	13.5	16.7	14.9	17.6
Other Non-Sterling	"	30.9	32.7	35.5	33.4	28.9	31.1	31.3	27.7	28.5	27.8	33.6
Sterling area	"	112.8	120.2	126.3	124.1	116.2	115.9	127.3	121.1	120.6	113.6	121.0
Exports of UK produce :												
USA	"	22.9	30.3	27.4	22.4	23.4	23.2	23.0	23.3	25.2	23.7	27.3
Canada	"	15.7	17.3	17.9	16.7	13.0	13.4	18.4	18.1	18.7	12.3	17.2
Latin America	"	12.6	12.9	14.3	18.2	11.9	13.4	14.3	14.7	12.7	12.2	15.5
West'n. Europe—Common Market	"	34.9	38.8	43.3	38.7	38.0	44.3	52.3	53.2	46.4	44.7	58.6
" Free Trade Association (3)	"	29.2	32.0	35.8	32.4	30.7	37.1	48.1	40.3	34.2	36.8	47.0
Soviet Eastern Europe	"	3.8	5.1	6.4	5.7	6.3	3.9	9.7	8.7	9.7	7.7	9.6
Other Non-Sterling	"	29.6	29.4	32.2	28.0	26.3	25.6	36.4	36.6	33.9	28.6	31.1
Sterling area	"	116.0	111.7	119.0	118.9	111.7	98.0	114.1	113.8	124.4	94.5	113.1
TRADE IN SELECTED COMMODITIES												
Imports :												
Wheat	'000 tons	376.4	356.3	342.3	336.7	326.3	397.4	309.8	323.0	350.6	269.1	332.0
Meat	"	69.4	67.6	70.3	65.8	66.6	71.5	74.9	68.0	51.4	53.6	52.9
Sugar, unrefined	"	219.3	201.8	184.1	139.6	156.5	180.0	168.8	140.2	172.1	148.2	204.0
Raw cotton (2)	"	21.5	22.5	22.6	26.6	8.4	11.7	16.3	9.8	16.0	10.9	15.5
Raw wool, sheep's and lambs' (2)	mn. lb.	51.1	58.6	49.9	37.1	27.7	30.2	48.7	42.4	32.0	18.9	32.1
Rubber, natural and synthetic (2)	'000 tons	17.0	17.0	16.4	7.7	6.5	15.5	14.0	11.5	18.9	12.2	13.5
Softwood	'000 stds.	106.4	121.7	150.1	244.6	189.9	179.3	173.8	179.0	202.3	171.1	158.1
Woodpulp	'000 tons	175.4	185.4	226.0	228.4	235.7	215.1	226.5	161.4	193.0	196.3	202.8
Crude petroleum	mn. galls.	728	847	969	1,108	1,006	1,035	1,010	1,080	1,065	895	1,093
Exports of UK produce :												
Coal, including bunkers	'000 tons	403	343	455	418	489	475	505	493	382	469	620
Woven piece-goods—cotton	mn. sq. yds.	32	29	27	26	25	25	22	23	21	22	24
" " wool	'000 sq. yds.	7,893	8,536	8,085	8,166	7,225	6,767	7,043	8,387	7,964	6,211	7,361
Passenger cars and chassis	number	40,323	47,414	47,493	41,024	29,795	24,937	31,937	31,497	27,988	28,180	33,791
Commercial vehicles and chassis	"	9,303	10,619	12,127	12,292	9,180	9,490	16,437	14,877	11,428	10,914	12,188
Agricultural tractors	"	8,709	9,474	11,964	10,964	12,274	10,354	12,218	13,318	11,470	10,163	11,464
Machinery—electrical	£'000	5,818	5,706	5,265	4,957	4,321	4,332	5,924	5,729	4,758	4,199	5,105
" other	"	42,773	47,264	52,926	49,320	44,217	45,828	62,665	62,323	56,925	53,605	61,318
Chemicals, elements and compounds	"	5,027	5,862	6,438	6,118	6,699	6,246	5,970	5,972	5,620	5,885	6,634

(1) Trade with the Channel Islands is included in all 1958 indices but from 1959 onwards, only in the total import and export indices.
(2) Including Finland. (3) Average for third quarter. (4) Average for second quarter. (5) Average for fourth quarter. (6) Retained imports.

APPOINTMENTS

ECONOMIC INTELLIGENCE



MORGANITE RESEARCH AND DEVELOPMENT, Limited, Battersea, London, requires an ECONOMIST to co-ordinate the intelligence picture of the chief overseas markets of The Morgan Crucible Group, with emphasis on Western Europe.

The Group sells nearly half its production overseas. Products include carbon brushes, crucibles, resistors, refractories, electrical and electronic components and a wide range of other specialised industrial requirements.

The successful candidate will need to have, or be capable of acquiring, a good reading knowledge of French and German; and will be required to learn the scientific and applied economic basis of several industrial technologies. The techniques employed have little in common with those used in consumer market research. Nine months' preliminary training will be given.

Initial salary between £1,200 and £1,800 per annum depending on qualifications.

Please write to:

The Staff Manager,
Morganite Research and Development Limited,
Battersea Church Road,
London, S.W.11.

COMPUTER DEVELOPMENTS—STAGE II

In 1957 RECKITT & SONS decided to introduce a computer into their Head Office and a National Elliott 405 was commissioned in 1959. This computer is now handling a considerable volume of work, and some expansion of the staff is necessary to enable further important developments to be undertaken.

We wish to appoint:

A CHIEF PROGRAMMER to supervise the adapting of a wide variety of commercial works for an ADP system. This appointment will interest an experienced programmer, especially one who has used a 405 and is ready to accept greater responsibilities in an expanding company with very wide commercial interests.

PROGRAMMERS to tackle particular projects with the emphasis on foresight and the capacity to plan rather than to code.

We shall welcome enquiries from those with a degree or professional qualification, who understand the significance which a computer can have in a commercial organisation, and these enquiries should be addressed to:

Personnel Director,
Reckitt & Sons Ltd.,
Dunsom Lane,
HULL

EXPERIENCED FINANCIAL JOURNALIST
Hard-working, versatile; able to analyse an investment or interview a chairman. A permanent appointment on a leading weekly. Write Box G.549, c/o Streets, 110 Old Broad Street, E.C.2.

UNIVERSITY OF THE
WITWATERSRAND
JOHANNESBURG
LECTURER OR JUNIOR LECTURER IN
DEPARTMENT OF ECONOMICS AND
ECONOMIC HISTORY

Applications are invited for appointment as Lecturer or Junior Lecturer in Economics. Duties are to be assumed on 1st March, 1962. The salary scales payable are as follows:—
Lecturer R2,460 x 120—R3,420
Junior Lecturer R1,740 x 120—R2,100
In addition, a vacation bonus is payable at Public Service rates.

Intending applicants are required to obtain a copy of the relevant information sheet from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. Applications close in South Africa and London on 31st December, 1961.

UNIVERSITY OF OXFORD
HEAD OF DEPARTMENT OF SOCIAL
AND ADMINISTRATIVE STUDIES

The University proposes shortly to appoint a Head of the Department of Social and Administrative Studies, whose duties will be to give instruction in Modern Social Institutions, to engage in research, and to have charge of the department. Stipend on the scale £1,975 x £75—£2,425. Applications by January 11, 1962, to the Secretary of Faculties, University Registry, Oxford, from whom further particulars may be obtained.

For further appointments and other classified advertisements see page 978

UNIVERSITY OF OXFORD

Notice is given that the Readership in Sociology is vacant and that the Electors intend to proceed to an election. The salary will be on the scale £1,975 x £75—£2,425 plus children's allowances. Applications are invited in nine copies, naming three referees but without testimonials, to be received not later than January 11, 1962, by the Registrar, University Registry, Oxford, from whom further particulars may be obtained.

CONSUMER RESEARCH

A leading business service organisation is looking for a
MANAGER

for its Consumer Research Division. He will be in the age bracket 28-40 and will have been for some years in a position of Executive responsibility for Consumer Research Surveys Sales and Servicing, and therefore used to negotiating with Senior Executives in Client companies. This appointment will offer him a very good working environment, with considerable opportunity for both the development of his division's operations and personal progress in a Company with high standards. Full details to:

BOX 1555
The Economist Newspaper Ltd., 22, Ryder St., St. James's,
London, S.W.1.

PRITCHARD WOOD

have a vacancy for a
RESEARCH EXECUTIVE

in the Market Research Section of their Consumer Research Department. The candidate should be a graduate, preferably with some background in economics or statistics, and should have an aptitude for thinking quantitatively. He should have worked for several years in the market research field, and have had experience of designing surveys, interpreting research results and writing reports.

Please apply in writing, giving details of education, experience and salary required, to:

Personnel Manager,
Pritchard Wood & Partners,
197, Knightsbridge, London, S.W.7.

ASSISTANT FINANCIAL MANAGER
required for Nitrogenous Fertiliser Plant, situated in Trinidad, W.I. The Company forms part of a large international group with worldwide activities mainly in the Chemical field.

The work will entail the supervision of accounting procedure to Profit and Loss and Balance Sheet level, the maintenance and development of a modern system of budget and cost control, the presentation of statistical information to management and investigation into accounting office methods and procedures. The position holder will report to the Company Financial Manager.

Applicants should be qualified Accountants with at least five (5) years' industrial accounting experience, preferably with a chemical company using a modern system of management accounting. A satisfactory career abroad and a starting salary in excess of £2,000 per annum will be offered to a suitable person aged between 27 and 35 years, preferably married.

After one year and ten months' service in Trinidad the applicant will be granted two months' home leave with passages paid for himself and family.

Applications, in the first instance, should be addressed to: The Managing Director, Grace Brothers, Ltd., 143.9, Fenchurch Street, London, E.C.3.

UNIVERSITY OF EDINBURGH

CHAIR OF ECONOMIC SCIENCE

The Chair of Economic Science is to become vacant on 1st October, 1962, and the Electors, who are the Curators of Patronage of the University and the Master and the Treasurer of the Company of Merchants of the City of Edinburgh, desire to make an appointment in the near future.

The Salary of the Chair will be not less than £3,000 per annum.

Applications (twelve copies), including the names of two referees, should be lodged, not later than 13th January, 1962, with the undersigned from whom a statement of further particulars may be obtained.

CHARLES H. STEWART,
Secretary to the Curators of Patronage
November, 1961

GOVERNMENT SOCIAL SURVEY

THE SOCIAL SURVEY DIVISION OF THE CENTRAL OFFICE OF INFORMATION invites applications for the posts of ASSISTANT COMPUTING OFFICERS. The Division is responsible for official sample survey enquiries covering a wide field of social and economic problems with a variety of research methods and maintaining high technical standards. The principal duty is the analysis of survey data, using both punch card equipment and an electronic computer. The qualification required is a mathematical background to at least G.C.E. 'A' level or, alternatively, experience in a similar post involving a knowledge of statistical techniques. Some familiarity with computers would be an advantage.

Applications should be sent to the Assistant Secretary for Establishment, Starting salary will be fixed according to experience and qualifications and will be on a scale rising to £1,214. Write, giving age, full details of experience and qualifications, to: Manager (PE.611), Ministry of Labour, Professional and Executive Register, Atlantic

ECONOMIST

Large manufacturers, with a considerable interest in the export market, are looking for an ECONOMIST who can apply a knowledge of the European—and world—economic scene to a quantitative appraisal of long-term market trends for individual products, particularly in newly-developing countries.

A man or woman, who has the appropriate qualifications and experience, may expect to earn around £2,000 immediately.—Box 1570.

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THE ECONOMIST DECEMBER 2, 1961

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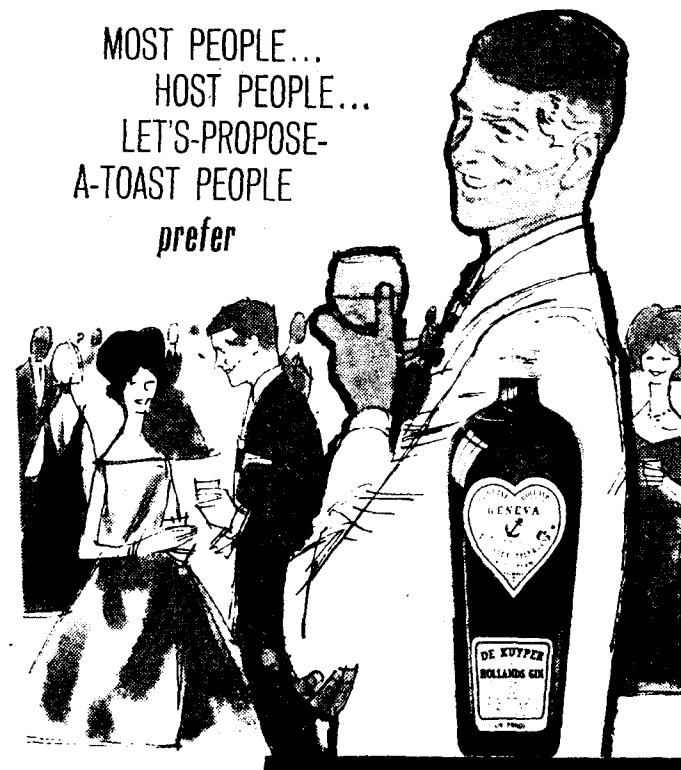
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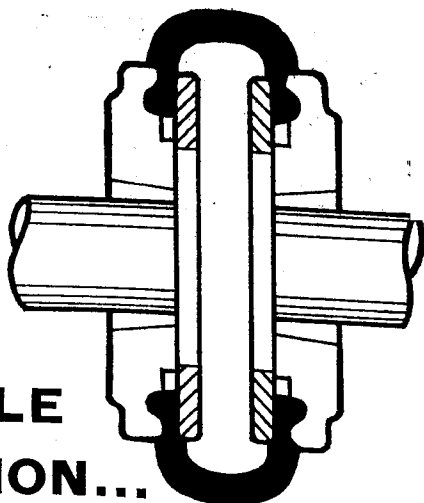
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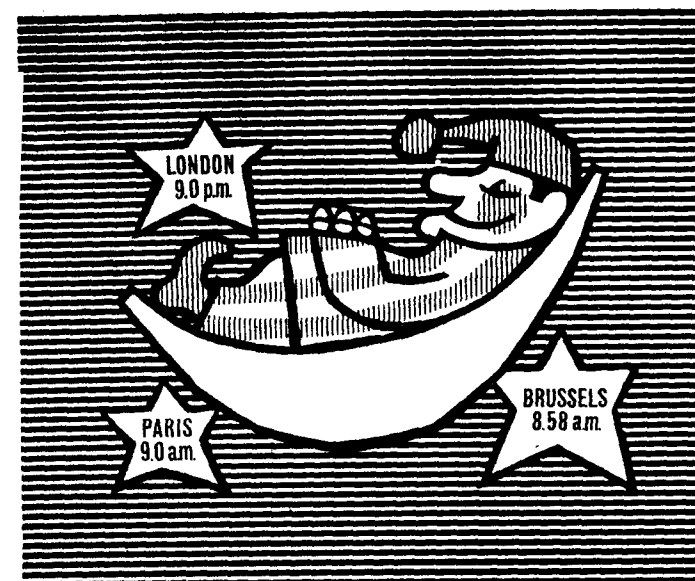
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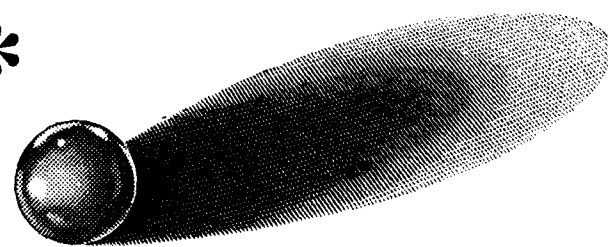
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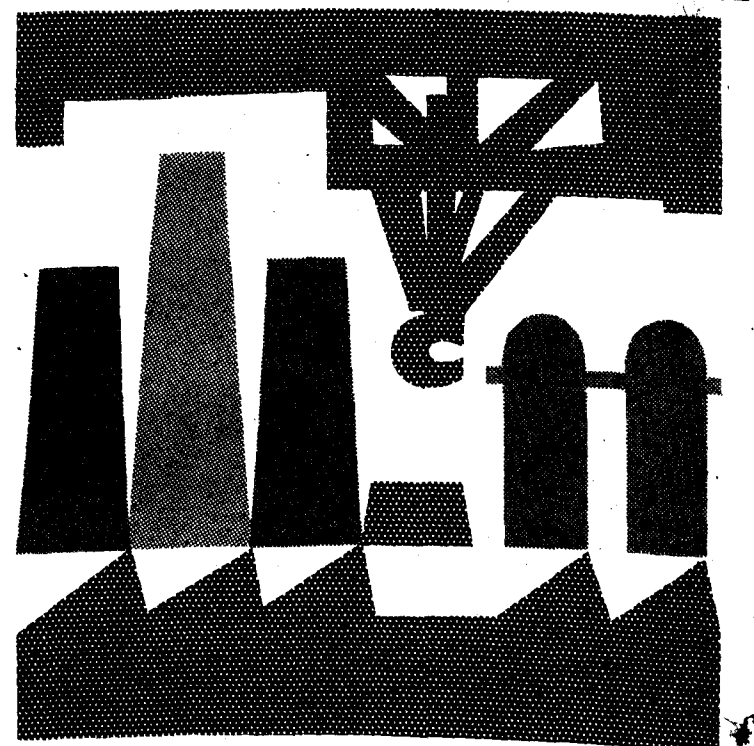
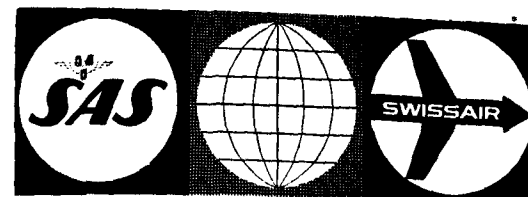
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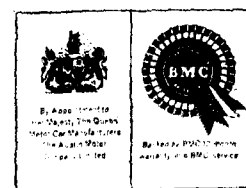
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HOME

Having it Good

Aspirations and apprehensions for the British economy—one up for the apprehensions (p. 997).

The leaks in the wage pause may have become a steady inflationary flow by February (p. 1004).

Retail trade slipped in October: even the English will not begin their Christmas shopping that early (p. 1052).

Agonising Reappraisals

Hire Purchase: it is time to overhaul the system of extending credit to consumers—and to replace some of the parts that are giving trouble (p. 1047).

Immigration: the controversy over the Bill now before Parliament could make and break some political reputations (p. 1005).

Juries: an honourable and ancient institution that badly needs to be modernised (p. 1009).

Feet on the Ground

The logic behind this week's big merger of flour companies is that a shared loaf is better than fighting for bread (p. 1055).

Gas stored underground could be a bonanza for some landowners if the law is not changed (p. 1056).

A lot of speculation has surrounded steel company results this year—the results speak for themselves (p. 1075).

Facts of Life

Gypsies, in 1961, should surely be treated as full British subjects (p. 1009).

A good—but perhaps overrated—African musical has foundered in the desert of Birmingham (p. 1034).

The number of independent airlines able to compete with British European Airways is dwindling (p. 1059).

What about the Workers?

Oxford and Cambridge still rule the waves in Whitehall (p. 1003).

The problem of London's latest immigrants is housing, not race (p. 1033).

But the role of the Rent Act has been to change the kind of people becoming homeless in the capital, not to make them more numerous (p. 1013).

INTERNATIONAL

Atlantic Community

President Kennedy's bold plan for increasing the powers of the United States to bargain with the common market faces influential opposition (p. 1025). If it is to lead to a truly fruitful unity among free nations it must not be narrowed down into just an anti-communist crusade (p. 1000).

Canada has wisely begun to realise that the new plan offers a solution of its own common market problems (p. 1042).

Peace Force

Some of the mud thrown at Britain by Dr Conor O'Brien may stick; at home the English are not used to armed policemen, but the United Nations must have power behind it, and the candid support of its ostensible supporters, if it is to be able to keep the peace (p. 999). The defensive battle the UN is now fighting in Katanga will be decisive for its future (p. 1037).

Chinese Chequers

Just as in Russia, two factions—diehard and moderate—are manoeuvring for supremacy in China (p. 1001).

Russia's defence budget has been increased (p. 1010).

Berlin and the Powers

West Berlin seems bound to wither, unless an improvement in the East-West climate provides it with a future and some means of maintaining the size of its population (p. 1038).

Yet the French government continues to oppose any negotiations, and the German Bundestag any concessions (p. 1004).

Beauty and the Beast: At home General de Gaulle's measures against the Secret Army have been outdone by Miss Bardot's bold stand against it (p. 1006).

The powers have almost reached agreement on Laos, but the three princes still procrastinate (p. 1006).

Awkward Islands

Latin American states are to discuss communist activity in their midst, but there is no enthusiasm for a crusade against Castro (p. 1010).

Holland's recent offer to make New Guinea independent has not persuaded Indonesia to moderate its strident claims (p. 1006).

More trouble is blowing up in Goa, the Portuguese enclave in India (p. 1010).

African Sweat and Fears

Hard sledding is ahead for Tanganyika, for all its high promise (p. 1041).

Southern Rhodesia's earnest campaign against the colour bar has come too late; African nationalists see it now as an attempt to divert them from political objectives (p. 1044).

The American Scene

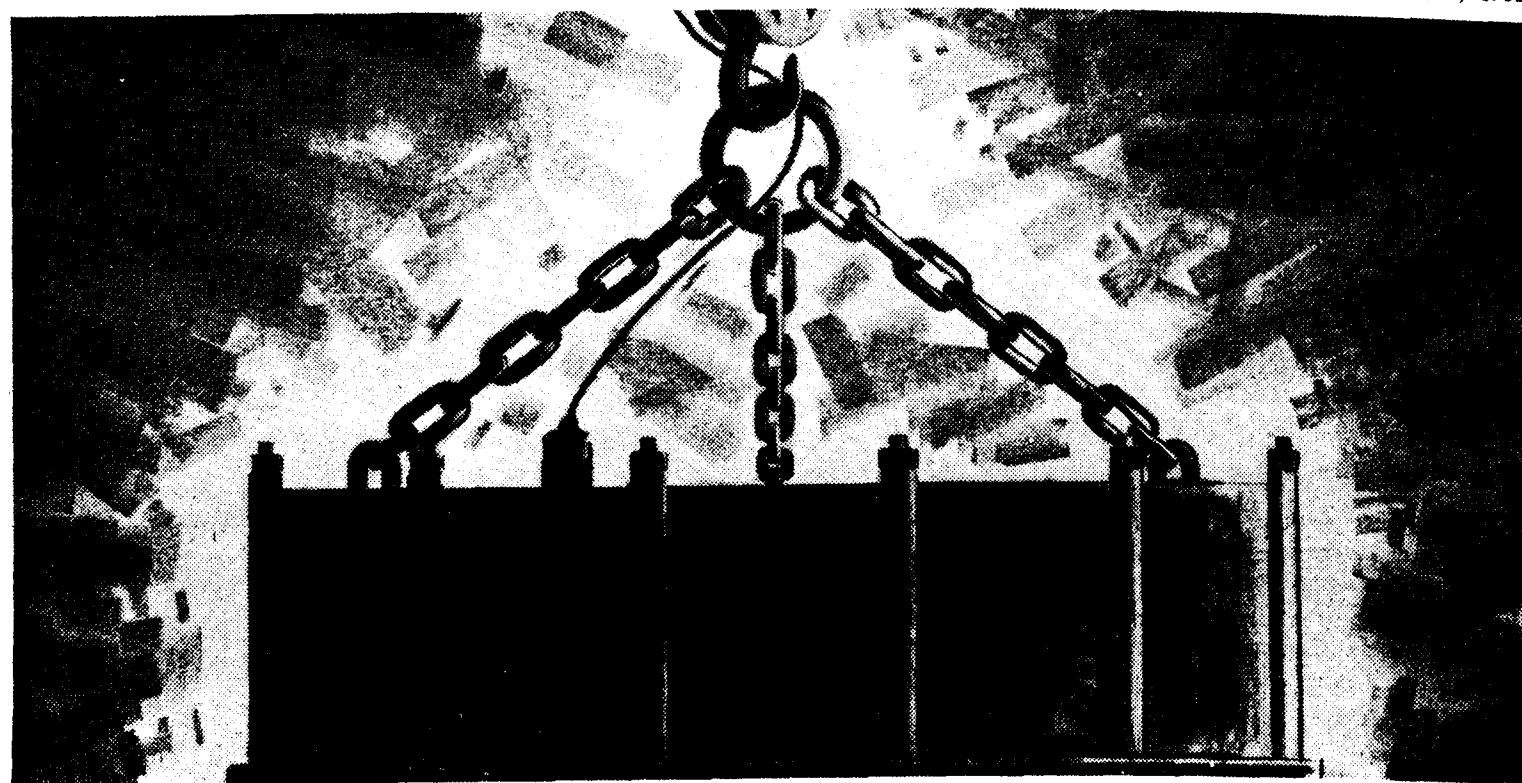
Higher interest rates in the United States are to discourage the outflow of "hot money" (p. 1026).

Even now the American Communist party has not exhausted its legal defences against registration (p. 1026).

The American trade union movement is in danger of splitting apart over the question of how to increase its membership (p. 1029).

The lot of the American reservist called up this autumn is not a happy one (p. 1030).

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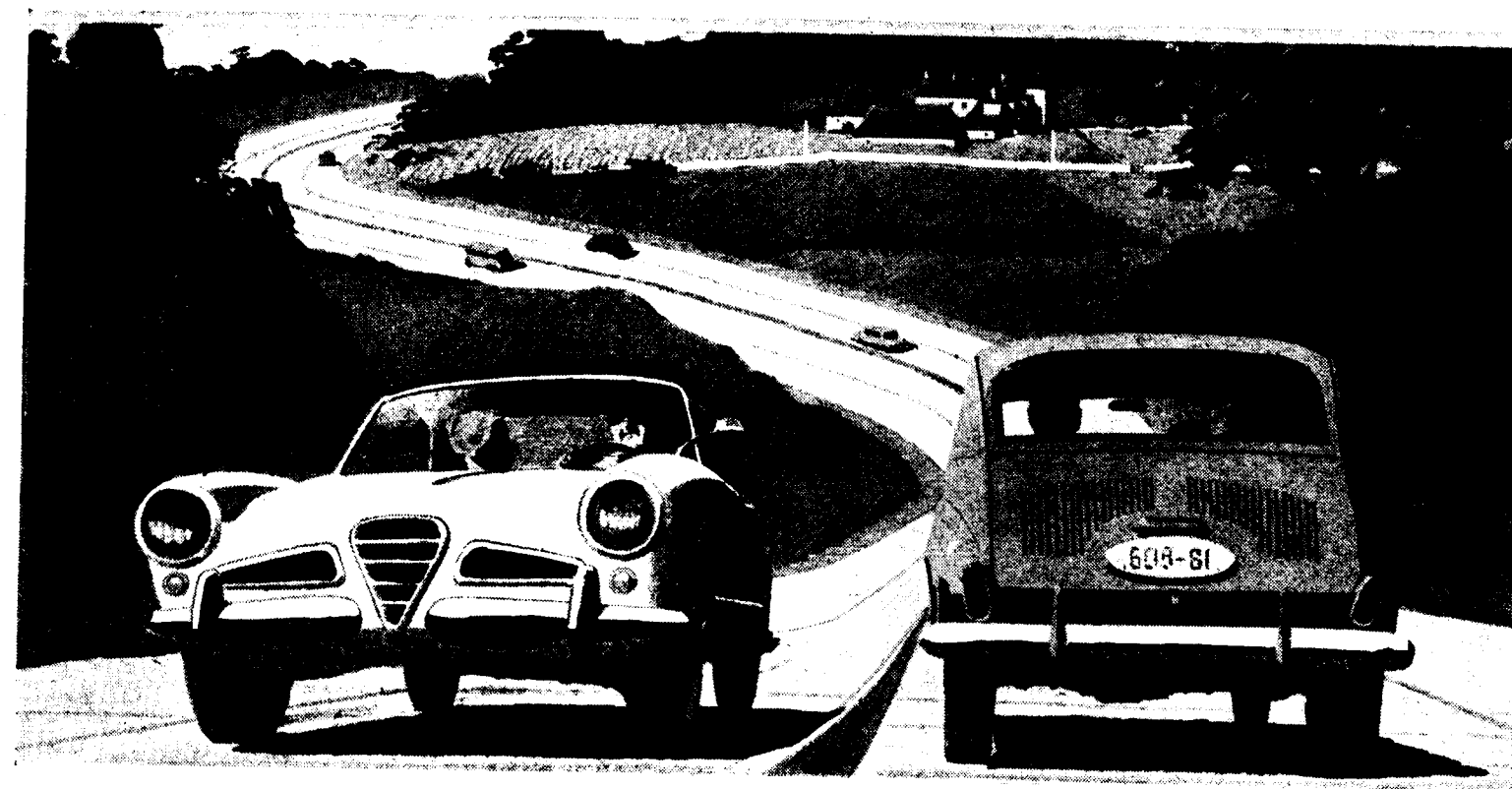
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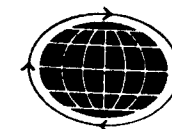
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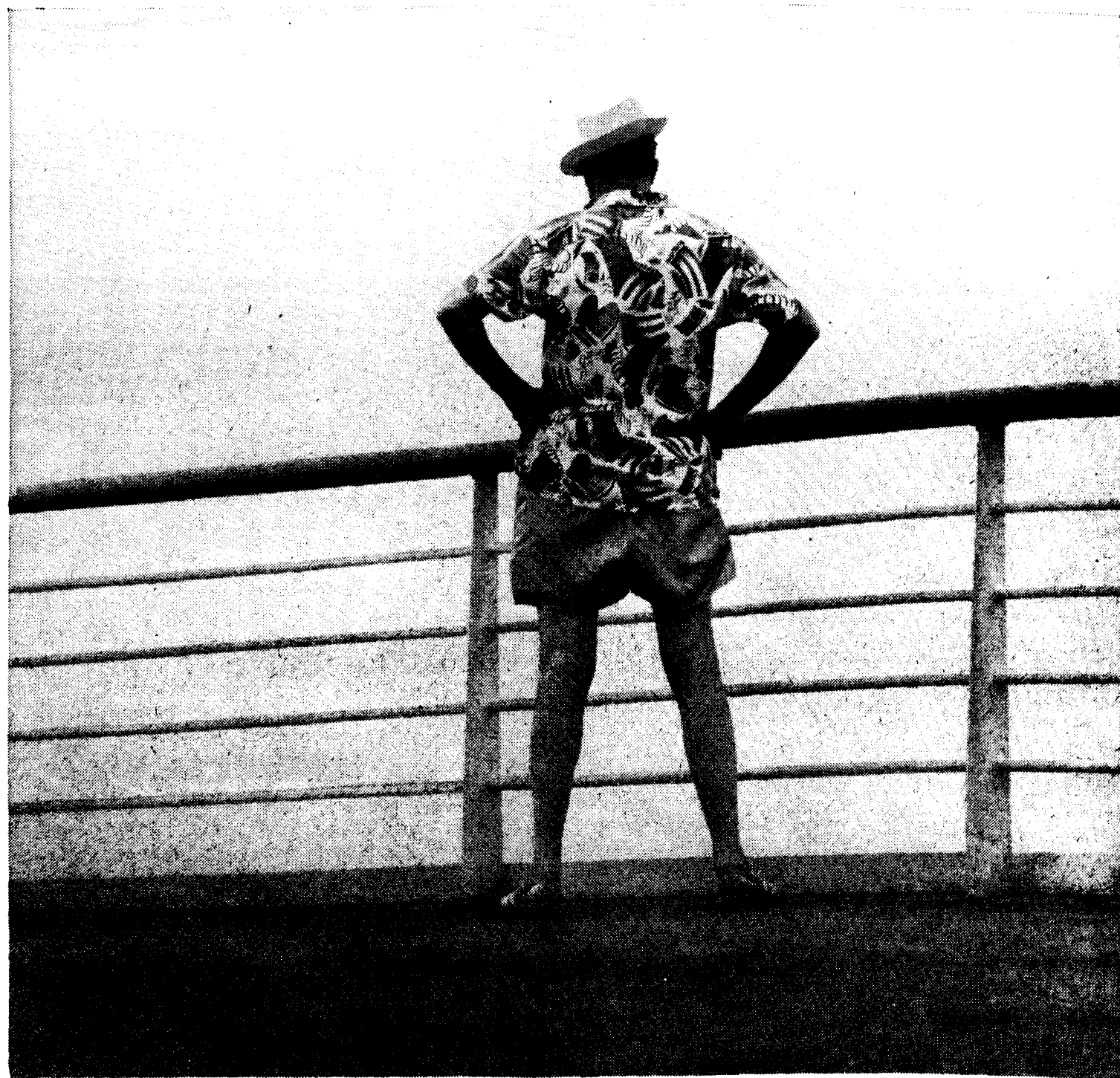
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The Economist

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VOLUME CCI—NUMBER 6172

A Plan for 1962

THE need be no apology for leading off this week's issue with exhortation to the Chancellor again. He has an excruciatingly difficult task ahead of him in the next few weeks, and it is liable to be made even more difficult by the nebulousness of the terms in which it is being discussed. Let us, therefore, proffer to him an aspiration and an apprehension for 1962 in the fashionable language of quantitative planning.

The *aspiration* for 1962 should be to hold average wage and salary increases down to between 2 and 3 per cent, but to try to push production up by between 4 and 5 per cent.

Our *apprehension* for 1962 is that wage rates between now and the end of next year may rise by somewhere around 5 per cent, but that production may rise by only 1 or 2 per cent, if indeed production rises at all.

Nobody would go to the stake in defence of the absolute appositeness of either of these sets of figures, but they represent a measured starting point for discussion: a reasonable definition of the difference between what would be a fairly considerable success and what would be a resounding (but at present all too commonly expected) failure. From them, certain important—but little-discussed—conclusions for policy flow. The aspiration of a growth rate of 4 or 5 per cent would imply that Britain's real domestic product should be some £900 to £1,100 million higher in 1962 than 1961. If exports increase by 6 or 7 per cent next year (which seems to be the best extrapolation one can make of recent hopes expressed by various unofficial forecasters), the export drive would absorb £200 to £250 million of fresh resources. So increases in domestic investment and consumption would need to total about £700-£850 million. Contrary to some of the sternest demand deflationists, we do not believe that increases on this scale would obviously overload the economy; but we also do not believe that internal demand will rise by as much as even the lower of these figures in 1962 unless there can be a restimulatory budget. The Chancellor of the Exchequer is certainly not thinking about a restimulatory budget at the moment; but—if he really believes in expansion in 1962—he ought to start thinking about how he could possibly get into a position to introduce one.

The assumption that wage rates should go up by only between 2 and 3 per cent, even if production could be made to rise by between 4 and 5 per cent, is not based on Gradgrindism, but on hard calculation about earnings: if production rose, earnings rates would obviously rise by more than wage rates (because of overtime, piece work bonuses, etc.). So the country had better understand frankly that if trade-union-generated wage increases average more than about 2 or 3 per cent this winter, both the internal economy and the export drive are likely to run into difficulties of cost inflation, and the Chancellor is bound to feel obliged to introduce a budget that will hold down production.

At the moment—this is where the arithmetic of the aspiration merges into the arithmetic of the apprehension—it looks as if wage rates are likely to rise by more than this in early 1962. There are mounting and disturbing indications that the pause is being regarded in Government circles as only a temporary delaying action: that it may end with the unions securing in about March the sorts of wage increases that they might otherwise have secured in about October. The Government would doubtless then claim that "at least it had won five months of delay," as if the mere fact of making everything (including production) stand

still for nearly half a year were an act of great financial usefulness. But, in fact, these five months of pause would be useful only if the economy were in a better state in March than it was in October to absorb big wage increases, without cost inflation and a consequent need to stunt growth; and there is no indication at all that this is likely to be true. Indeed, one's guess—on present trends—is that the foreign exchange markets will be just as apt (if not even more apt) to run away from the pound sterling on news of any new wage inflation in three months' time as they would have been two months ago.

EVERYTHING therefore depends, not on how long the pause lasts, but on whether it can be succeeded by the famous "guiding light": on whether, when the pause ends, the Chancellor can persuade the trade unions to accept wage increases that can be contained within the maximum possible growth in productivity. How can this be done? In an ideal world it might be done simply by the Chancellor persuading the unions to sit on a planning council with him, in congenial bonds of harmony and common endeavour. But everybody knows that this harmony is unattainable at present, although the reason popularly given on the left about why it cannot be achieved is moonshine. The reason is not, as some people say, that the unions think that Tory policies bear "unfairly" heavily upon wages as distinct from upon profits; in point of fact, on the latest official count in the national income figures at mid-year, wages and salaries were 9 per cent higher than a year before and profits 8 per cent lower than a year before (so that, on this basis of estimation, about the only way that Mr Lloyd could promise the unions that profits would go on falling further in future would be by promising them a large-scale business and employment slump).

It is perfectly possible to find some other basis of estimation to show a different picture compared with some other date in the past, but this always would be possible under any economic circumstances. In view of this, it is silly to pretend that the unions' resistance to the pause arises out of any real and deep-seated feeling of politically-motivated unfairness; instead it arises out of a quite understandable feeling of power. By threats of strikes they are at present managing to keep the momentum of money wages increases moving forward at an inflationary pace; as trade union leaders they do not see how their aim can be anything else.

The answer to the question when and how the Chancellor might persuade the trade unions to agree to a system of planned wage increases is therefore: when the unions' efforts to drive forward into inflationary wage increases at last meet resolute resistance. Very probably, although not quite certainly, such resistance in a major nationalised industry this winter might lead to a major strike. It might even take on the appearance of a near-general strike, in the sense that other unions would presumably give more help to the strikers than they did to Mr Cousins's busmen in 1958, and that the Trades Union Congress itself might become the eventual bargaining agent with the Government, rather than just leaving the affair to be settled by the railwaymen's union or whoever is the big union directly concerned. But a saving grace of this grim situation, if it ever did arise, would be that this autumn's long talking about planning mechanisms could then provide a reasonable ladder for both sides to climb down.

The ladder into conciliation could take the form of at last issuing the famous guiding light: the Government should publish an estimate of what increase in the national income it thinks that it can plan for in the year ahead, and relate an offer of wage increases to the strikers (or at least to some of them) specifically to that. Provided that more shocks have not been administered to sterling by more wage surrenders in the meanwhile, the planned policy for production and demand in 1962-63 could and should be an expansionary one; and it would be reasonable this year for the views of the TUC to be taken fully into account in deciding what forms the tax reductions required for restimulating expansion should take. Presumably the TUC's preference would be for concessions that would reduce the cost of living; and there would in fact be a very good case for reversing the 10 per cent July surcharge on indirect taxes early next year. There is less objection to giving the TUC a voice in suggesting which tax rates should be put down than to giving it a prescriptive right to counsel the Chancellor about which new taxes (such as capital gains) should be put on or put up.

THERE would be many difficulties in the way of such a programme. It would be important to get the timing of the package offer right, because it should be made at a time when the trade union leaders were looking for a reasonable ladder to climb down rather than still thinking that they had a spiral staircase of wage inflation that they could keep on thrusting up. It would be important that the tying of wage increases to a national guiding light should be seen to be a deliberate act of policy, and one to be repeated in future years. If the Chancellor wants his proposed planning council to be associated with it, his best course would be to set up the "office" of technocrats for the National Economic Development Council straightaway, but to hold constant briefing sessions with the TUC, telling them who is to be on the staff of this office and what projects they will have on hand. There is the difficulty that this whole programme might have to go into effect against a background when sterling was weak on the international exchanges; the only way to cure that is to maintain investment support for sterling by keeping interest rates high, and to make budget reliefs rather than cheaper money the weapon for securing economic re-expansion.

But the biggest difficulty of all is that there are no signs that the present Government has yet understood that any of these things could or should be a sensible basis for its policy. There are no indications that the Government understands that it should set about re-expanding the economy by tax reliefs next year; it seems clear that Mr Lloyd is at present thinking in terms of a tough budget instead, in a confused belief that it is demand inflation, rather than cost inflation, which at present threatens the economy. There are no indications that the Government is going to be really serious about resisting cost and wage inflation directly and for long; the main point to which it seems to attach importance is that the starting dates for any wage increases should be pushed back as far as possible—although this question of "which starting dates?" is a thousand times less important than the question of "which amounts?" That is why, as a matter of measured judgment, one's apprehensions for the British economy in 1962 at present weigh grievously more heavily than one's hopes.

Pecksniff and Gradgrind?

If the UN fails in the Congo, now the crisis has come in Katanga, Britain will be charged with wrecking its mission there

CHARGED with a superhuman task in the Congo, the United Nations, which is a concourse of men, has proved human, and made mistakes. Human—and, perhaps, mortal. If the UN dies of failure in the Congo, the blame will lie partly with the men who serve it as administrators, but, in greater part, with the member governments who manage it. One member, Britain, will rightly or wrongly face a particularly serious indictment. The kind of thing that might be said was melodramatised at the weekend by Dr Conor O'Brien, the UN's former civil chief in Katanga; he was supported on Tuesday by General Sean McKeown, who says he will relinquish his post as military commander-in-chief in the Congo at the end of the year. Britain, said Dr O'Brien, presents the face of Pecksniff (Dickens's hypocrite in "Martin Chuzzlewit") at New York, and Gradgrind (the ruthless businessman in "Hard Times") in Katanga.

Is there anything fair about this? The fighting that broke out again in Elizabethville on Tuesday may very well seem to the British Government to prove its own attitude correct; the UN is now in fact at war with Katanga. All along, Britain has said that conciliation, not force, must be used to bring Katanga back into the Congo fold. (It has officially opposed Katanga's secession, and told Mr Tshombe that it does.) Force, the British Government says, should be used only in self-defence, or to prevent civil war—and then only in the very last resort. When the shooting started in Elizabethville on September 13th it looked very much as if the UN had declared war on Katanga with the object of bringing Mr Tshombe and his provincial government to its knees. Indeed, Dr O'Brien said things that seemed to confirm this suspicion.

The action was, therefore, labelled "outrageous" in Whitehall. Lord Lansdowne, who was sent out to investigate, reported a month later that many of the "apparently more outrageous aspects of the UN action as we had seen them from London were inaccurate or exaggerated." But he added that ineptitude and bad judgment had led to a "gross miscalculation" of the effect of the action. In Britain generally, where the police have never been armed (except in Northern Ireland), the sight of an international police force apparently using arms against one side in a dispute did, and does, seem outrageous.

But Tuesday's quarrel was brewing for weeks before it began. According to the United Nations, the cease-fire agreement between Katanga and its own forces, concluded on September 20th, had been "repeatedly violated in nearly every article." Some UN soldiers were kidnapped, others were beaten, all were threatened by Mr Tshombe's fiery speeches. The immediate cause of battle was a road block set up by Katangese forces, led by mercenaries, on the route from Elizabethville to the airport. The provincial government promised to remove the block; it did not, and the UN went in fighting. The mandate under which the United Nations could justify this action lies in the Security Council resolution of November 24th, which authorised the UN force to use the

"requisite measure of force, if necessary" to arrest or deport Mr Tshombe's white mercenaries. Immediately before the fighting began, Mr Brian Urquhart, who replaced Dr O'Brien, said he had found a "battle plan" drawn up by the mercenaries.

No doubt, if its intention and effort were limited to getting rid of the mercenaries, the action taken on Tuesday could be shown by UN officials to be legal in terms of their mandate. But has not the UN force rather been forced into battle to defend itself, its positions and the future of its mission? Is this a possible position for the peace-keeping force to find itself in? That is the kernel of the UN dilemma; and the cause of much moral disquiet among many friends of the UN. The UN went into the Congo primarily to keep the world peace, by getting foreign interferers out; the purpose was to prevent the disorder from spreading, or being spread. This task has been narrowed to the crucial need to remove the band of white foreigners who lead Mr Tshombe's troops. These men cannot be "conciliated" into custody any more than the mutinous Congolese who murdered thirteen Italian airmen at Kindu in mid-November could be conciliated into behaving peacefully. Thus the UN is in a situation where it cannot keep the peace without breaking it; the lesson indeed that the UN is learning, and its member governments ought to be learning, is that peace, too, depends on having power on its side, not against it.

AND so far, as the previously unsuccessful operations in Katanga and the rampages of the soldiery in Kivu and Albertville have shown, the UN has lacked either the capacity itself to use force for peace, or the support of key member governments in trying to do so. The charges that Dr O'Brien has hurled against Britain will go on reverberating. In its public statements, the British Government has always been more careful to caution the UN than to point to the obvious

difficulties facing it and to help it in overcoming them. Dr O'Brien says that Britain put pressure on the Secretariat in New York to have him removed. And in the Security Council, on November 21st, the British delegate implied that if the UN did not confine itself to conciliation in the Congo, support—presumably financial support—would be withdrawn. Several correspondents have



maintained that the action of September 13th was held up for ten days because of British pressure in New York, that this gave Katanga time to prepare for battle, and that this was the main reason for failure. Two Katanga jet fighters were the main military threat against the UN force at the time ; and the British Government delayed permission for Ethiopian fighters, on their way to join the UN, to refuel at Entebbe in Uganda.

MUCH of this, of course, is public information. It represents the consistent attitude that the UN ought on no account to use force in Katanga—even though it might be powerless to discharge its mandate, or even to protect itself, without using force. But Dr O'Brien goes further in his denunciation, alleging that the British Government, while publicly supporting Katanga's integration into the Congo, has been privately opposing it. He has failed to substantiate a word of what he has said. But many people (for instance, Mr Nehru on Thursday) will believe it: because of the impression of reluctant support given to the UN by the British Government ; because of the suspicion that Sir Roy Welensky, prime minister of the federation of Rhodesia and Nyasaland, too, though he has publicly supported the unity of the Congo, favours Mr Tshombe and Katangan independence, lest a "Lumumbist" wave should break over Katanga and lap on to the shores of Northern Rhodesia ; and because of the naturally interested advocacy of the so-called "Katanga lobby" in London, whose leading members have a large financial stake in Katanga.

Certainly France, whose good friend the Abbé Fulbert

Youlou, the president of the ex-French Congo, is also a good friend of Mr Tshombe's, is frankly and openly unfriendly to the UN operation in the Congo. This, in view of French relations with the United Nations, is as understandable as the similar Belgian attitude. The Russians have given no support at all, financial or otherwise. Only the Americans—who disapprove of many things the UN force in the Congo is doing—have continued to give wholehearted support, now stepped up in the form of transport for the UN force in Katanga.

It is time now for Britain, too, to make very much plainer where it stands—for the sake not only of the pacification of the Congo but also of the whole future of the United Nations. It is time to understand the real nature of the task, and the dilemma, facing the brave and devoted men of the UN. No doubt, and rightly, the British Government cannot be expected to support attempts to bring Elizabethville and Leopoldville together by force ; to do this, only conciliation can have a lasting effect. But those who will the end must be ready also to will the means ; the armed force that went to the Congo, with British assent, would have in necessity to use those arms—if only, as now, to save itself. If the occasions have been wrongly chosen, the only right place for saying this is through the proper channels of the UN headquarters in New York, not by public reproach or private pressure. It should be made clear that Britain has not turned its back on the operation and its purposes—with all that those imply for the Congo, for Africa, for the United Nations, and for the peace of the world. This is a time to help, not to hinder.

Concert of the Free

Mr Kennedy, tuning up his Atlantic orchestra, should permit some variations on the theme of anti-communism

ONE of the main things Mr Kennedy and Mr Macmillan ought to talk about when they meet in Bermuda on December 21st is not the most obvious item on their agenda. The obvious item is Berlin, the recent optimism over which may look less plausible by the time they meet ; this is discussed on page 1004. The less obvious, but equally important, subject is what kind of community of free nations they are trying to build as a result of the major decision Britain has taken this year, and the related decision the United States is now tentatively edging towards.

Historians, looking back on 1961, will probably pick out two events in this crowded year as more pregnant with implications than all the rest. The first was Britain's decision to join the common market (if the present members will let it). The second, stimulated by the first, is Mr Kennedy's decision to bring the United States into a new and closer relationship with the enlarged common market (if American public opinion will let him). It should be realised—though some people in Britain have apparently so far not realised—that the new and closer relationship Mr Kennedy has in mind does not amount to either American membership of the common market, or even the creation of a free trade area linking the United States with western Europe. But even the more modest objective Mr Kennedy is aiming at, which our Washington correspon-

dent describes on page 1025, will (if Congress lets him achieve it) represent something new in the transatlantic relationship: it will be a substantial step towards that "community of the free" that everyone has talked piously, but done little, about for years past.

There need be no reservations about what Mr Kennedy is explicitly trying to do. The reduction of tariffs that would be possible under the new kind of trade legislation he wants is wholly desirable ; the more so because the reduction, under the rules of the General Agreement on Tariffs and Trade, would have to apply to all the rest of the world as well as to trade between the United States and the common market. But it is possible to feel reservations about some of the less explicit ideas that are creeping in to the pursuit of this desirable end.

It is understandable, given the present state of public opinion in the United States, and of power in the world, that the legislative pill Mr Kennedy hopes to pop on Congress's tongue should be presented as a prophylactic against communism. Of course, the measure the President wants to pass would, by strengthening the economy of the free world, serve an anti-communist purpose ; if the aim in emphasising this purpose is simply to improve the prospects that Congress will open its swallowing mechanism, the sugar coating is

acceptable. The danger is that the coating may become as important as the contents ; that to the liberal objective of freer trade and closer economic co-operation there may be added other objectives that are perhaps less liberally outward-looking.

THESE objectives have never been precisely spelled out. What they amount to, however, is the creation within the larger circle of the non-communist world of a smaller, more cohesive, central ring of committedly anti-communist nations, associated not merely for specific military purposes (as, indispensably, Nato is) but for world-wide political purposes as well. Senator Fulbright seems to have had this in mind when he called for a "dynamic concert of free nations" in the October issue of *Foreign Affairs* ; saying that "inner" and "outer" communities might be desirable in the non-communist world, he suggested that a nucleus for the inner community was ready to hand in Article 2 of the North Atlantic Treaty. There are other Americans to whom these ideas are attractive. Mr McCloy, the President's former adviser on disarmament, said on November 29th that the western nations ought to look to new forms of political co-operation to defend themselves against communism.

It would be a pity if the drive for freer trade were to get entangled with a drive for a sort of Anti-Communist International. There is an excellent case (and has been for some time) for closer liaison between the major powers in the West. But anything that approaches a division of the non-communist world into two separate communities involves a risk that the

China's Armed Retreat

China, whose admission into the UN is under debate, may be driven by hunger to look either towards Moscow or towards south-east Asia

A DISCIPLE of Confucius, Yen Hui, is said to have lived on one dish of food and a single ladle of water a day, and his home was a poor alleyway. A Shanghai paper lately drew attention to Yen Hui's plight, as an example to be emulated, not a plight to be avoided. For, it explained, "our countless revolutionary ancestors lived far more miserably than Yen Hui, and yet enjoyed life as much as they would sweetmeats." Indeed, Marx had countered poverty by intensifying his fanatical enthusiasm for work, thereby exemplifying the noble character of proletarian revolutionary warriors.

It must be galling to China's leaders to have to content themselves with such stimuli at a time when the Soviet Union's peoples are being promised the communist millennium in twenty years. It was not always so. Three and a half years ago, when Mao Tse-tung created his rural communes, China's transition to communism was to have been accomplished almost at a stroke, leaving Russia far behind. Today, famine stalks the land for the third bitter year, the commune system is in tatters and the industrial "leap forward" has turned into a diffident stumble. If this situation were of domestic character alone, it would still be of concern to the outside world.

inner group, in trying to huddle more amicably together, might widen the gap between itself and the outer group.

It has recently been possible to detect, in some members of Mr Kennedy's Administration, the resurgence of a positively Dullesian impatience with neutrals. It may be that the United States will come to think of its future relationship with the common market more as an anti-communist political grouping than as a pro-expansionist trading fellowship. If it did, one consequence might be to prevent those neutrals in Europe whose neutrality is forced upon them by circumstances, such as Austria and Sweden, from becoming associate members of the common market. They might be faced, instead, with the blunt choice of either becoming full members (which would mean abandoning their neutrality), or else staying out in the cold. The President ought to ask himself whether this would satisfy his liberal instincts.

Mr Kennedy and Mr Macmillan will not be able to give a final answer to this problem when they meet a fortnight hence ; neither of them, after all, can yet be sure that his own approach to the common market is not going to be stopped dead in its tracks. But they should, at least, draw a clear-cut line between the plainly desirable objective of closer economic unity among the free nations, and the more dubious aim of separating these nations into anti-communist sheep and neutralist goats. Before they think of passing from the first to the second, they should remind themselves that many countries are part of the "community of the free" in everything except formal membership of an alliance. To do anything that made their existence more difficult might, in the end, diminish the area of freedom.

But the developing crisis has been accompanied, at every stage, by a deepening ideological quarrel between Moscow and Peking, at the core of which is a struggle for the leadership of the world communist movement. Neither the crisis nor the quarrel can safely be ignored by the West.

Mr Khrushchev must have found it hard to resist saying "I told you so" when he met Mr Chou En-lai—more briefly than either had expected, since Mr Chou cut his visit short—during the twenty-second congress of the Soviet Communist party in Moscow in October. From the first, Moscow had looked coldly on the communes and on the Chinese claim that they marked a revolutionary advance under the inspired guidance of Chairman Mao. Within a few months, the Chinese party was telling people not to take literally the original promise that goods and food were to be distributed according to need. By the end of the first "commune year"—1958—the Chinese leaders had come to recognise the attempt to leap straight into communism as Utopian.

In return, the Russians agreed to continue their assistance—which had seemed to be in doubt—and differences were papered over at the twenty-first Soviet party congress in January and February, 1959. This was, in effect, an agreement to differ, for Mr Khrushchev recognised that China was "employing many original forms of socialist construction."

Before long, however, it became apparent that the international split was paralleled by a schism within the

Chinese Communist party hierarchy. On one side were the fanatics such as Liu Shao-chi, the chairman of the republic, and Teng Hsiao-ping, the party's secretary-general, who argued either that the switch to the communes should be pursued rigorously, or that the *de facto* retreat from the communes should not be publicly acknowledged as a change of policy. On the other side were those who had questioned the "correctness" of the commune policy from the start, and who favoured economic development on the Soviet model, as modified under Stalin's successors.

Leading these "moderates" was the then defence minister, Marshal Peng Teh-huai, who commanded the Chinese "volunteers" during the Korean war. The factional fight was fought out at the plenary meeting of the politburo at Lushan in August, 1959. A month later, Marshal Peng was dismissed, together with the chief of the army staff, General Huang Keh-cheng, and many other moderates, including Teng Tzu-hui, the party's leading agrarian expert, and a former ambassador to Moscow, Chang Wen-tien.

The real issue at Lushan was whether or not the Chinese communist leadership was to collaborate with the Russians. This implies accepting advice as well as aid from Moscow. In effect, the victorious leftists, led by Liu Shao-chi, tried to have it both ways. They adopted the rightists' policies for a more realistic view of the communes, but went on proclaiming the "correctness" of their own policies (much as Mr Khrushchev had taken over some of Mr Malenkov's ideas after dismissing him) and competing with Moscow for the ideological leadership of the communist world. The Russians, for their part, showed themselves not amused, and in the second half of 1960 the thousands of technicians who had been employed on Chinese development projects were withdrawn and brought home.

It would be surprising if the ideological differences revealed at the Soviet party congress in October, in combination with the failure of China's domestic policies, were not reflected in further strife within the Chinese Communist party. The domestic failure has been given less publicity than the Sino-Soviet differences (or those between the "party" and "anti-party" Russians), and its extent, though obviously considerable, is hard to assess. Natural calamities have played their part, and so has the soaring birth-rate, but mismanagement and misbegotten policies must be given their due. Behind the refugee's tales of dwindling rations and spreading deficiency diseases lies this year's news of drought in Honan, locusts in Shantung and torrential rain in the southern provinces. For the second year running, China is expending its depleted foreign exchange reserves to buy wheat from western countries. Deprived of an exportable grain surplus, it has run up a debt of \$320 million on current account with the Soviet Union and drastically reduced its capital investment programme (while maintaining, for reasons of prestige, and in competition with Russia, its economic aid to Mongolia, North Vietnam and Albania). Raw materials are scarce, and the Chinese press has been full of complaints about the shoddiness of indigenous manufactures. In the communes, the original concept of massed work by the entire commune has been abandoned in favour of mobilising production teams and, within these, work squads. Piece-work, abandoned in the euphoric spring of 1958, has been reintroduced.

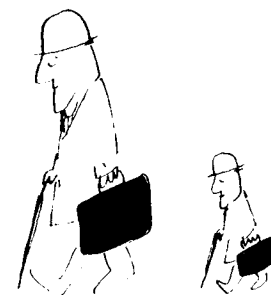
That these circumstances carry within them the seeds of political change, or even upheaval, seems evident. But the direction of any pending change cannot, as things stand, be determined with any accuracy. China's long history—its imperial past as well as its nineteenth-century humiliations—and the Chinese national character are factors sometimes ignored by students of communism, just as the Sinologists sometimes overlook the communist element. Mao Tse-tung is a peasant emperor as well as "the supreme genius of Marxism-Leninism." The public confession and the purge, like the political somersault, are established communist practices; but owning up and climbing down go against the Chinese grain. The influence of Confucius, as the praise of Yen Hui's poverty shows, is still alive in China; though this particular example may not enchant hungry Chinese.

THE built-in resistances to an open change of course are strong. They are not necessarily invincible. The advocates of collaboration with Russia could return to favour and influence; being alive, as far as is known, they have the advantage over say, the late Kao Kang, the boss of Manchuria who was driven to suicide in 1954. Mao's present remoteness from day-to-day affairs and his position as a national idol probably guarantee his survival, at least as a figurehead. The presence of Mao, Liu, Chu Teh and Teng Hsiao-ping at the airport to greet Chou En-lai, the prime minister, on his precipitate return from the Moscow conference suggests an inclination to hang together. Mr Chou, never himself a rebel, but a popular figure who always comes out on top, may find this solidarity embarrassing should the wind change.

An obscure but powerful factor in the equation is the army. A peasant body, the "People's Army" cannot be indifferent to the sufferings of undernourished relatives in the villages. The publication of new army regulations last summer suggests incipient indiscipline. The regulations emphasised the need for improving relations between officers and men, and between the army and the people; ideological shortcomings were disclosed. It must be assumed, moreover, that Marshal Peng Teh-huai, the dismissed defence minister and Korean war hero, has his followers in the army.

The dilemma before Mr Liu and his supporters is that China, like India, lacks the means to develop its economy fast enough to feed its increasing population without external aid. The neutralist Indians are getting it from all sides. The committed Chinese are, at present, getting none, if one excepts the arrangement made last April, under which repayment of the deficit on Soviet loans is to be spread over the next five years without interest. Persistence in the present course seems to point the way to military adventures in the rice-bowls of south-east Asia.

A victory of the "rightists" could mean, on the other hand, a return to fruitful collaboration with the Russians. Over the long haul, it is hard to say which alternative would be more acceptable to the West. The attractions of the split between Peking and Moscow are only superficial. The return of the pro-Soviet faction, or the emergence of new men supporting collaboration with Mr Khrushchev would probably be, in practice, less threatening to western interests. It does not, however, lie within the power of western statesmen to hasten it.



The Same Ruling Classes

The road to Whitehall is not paved with Redbrick

How does the Establishment recruit itself? By guess (or by God) when the preferment list comes up at Admiralty House; by post-prandial plumping (so say the querulous) at All Souls. But for the administrative class of the Civil Service, the inner circle that keeps vestal watch over the homogeneity of the ruling classes and their policies, the answer is straightforward enough: by competitive examinations. Year by year the hopeful young talents, with a first or a good second class honours degree in the offing, address themselves to Whitehall (10,000 of them since 1948). Year by year they are pared down to the 50 or 60 that really do make their mark with the selectors and for whom thenceforward the full fig of the assistant secretary or above becomes a legitimate expectation.

And year by year, too, the Civil Service commissioners discover that, despite their beating of the provincial coverts, their hobnobbing with obscure and wind-swept dons from Redbrick universities, their free trips for lads o' pairs round the departments, and their occasional blind eye to the intellectual blemish in a candlestickmaker's likely son, the people they end up with are pretty much of a type. It has not changed all that remarkably since the Northcote-Trevelyan days; certainly it has not changed since before the war. Between 1925 and 1937 Oxford and Cambridge produced 78 per cent of the successes in the administrative class examinations. Between 1948 and 1960 they have now produced 80 per cent. A similar proportion of the successes—the trend is actually increasing—come from upper-middle or comfortably middle class homes, the kind of people that the census-takers instinctively put into occupation grades I and II. While the working class is keeping up its small entry into top Whitehall, the lower-middle class is actually being squeezed out.

Perhaps inevitably, most of the successful candidates prove to have read history or classics: even the economists and PPE men, who might be thought to have acquired some vocational training, are a dwindling race. The Foreign Service intake is, if anything, an even more homogeneous social group than those recruited to the Treasury or the Ministries of Lab. and Ed. All in all, it is the kind of result that drives the commissioners into annual introspection, to clutching at stray straws of hope ("The tide could be turning: after all, 15 per cent of the method II successes were non-Oxbridge this year"), and to fresh resolves to get the ear of every actual or possible faculty head at the end of the farthest tramlines.

There are two methods of graduate recruitment into the home administrative class. Method I is the traditional one: a full academic written examination, and both a preliminary (carrying no marks) and final interview. Method II, introduced since the war, follows a process of systematic elimination. First, a short written examination: about half the candidates fall at this hurdle. Second, a series of tests and

interviews, occupying two and a half days, before the Civil Service Selection Board, designed to reveal personality and practical intellect. Third, an interview by a final selection board. Candidates up to the age of 28 can try either or both methods twice, if they wish.

Few, however, persevere so long, and a disturbing number, either because they settle for other jobs or feel themselves badly out of their depth, do not even run the full course. (Some, of course, drop out for quite admirable reasons. To the stock essay question: "What is truth?" one cherished answer ran: "Gentlemen, after reading this question the truth is that I no longer wish to pursue my candidacy.") An initial survey (Cmnd 232) published in 1957 showed that method II selection—based on the two and a half days of interviews—might have its rigours, but it produced far fewer failures in subsequent probationary service. The Foreign Office swears by its method II intake. Method I, based mainly on the written examination—the resort of the brilliant examinee, the shy and the women—has now become noticeably less popular among the aspirants themselves. Even so, in the last few years, Oxbridge has both retained its stranglehold on method II and improved its showing (78 per cent of successes) by method I.

This is not a matter of visible social barriers. Last year a general labourer's son and a colliery fitter's son got in under method I and rejoiced the commissioners' hearts, and not so long ago the son of a sheet-metal worker topped method II. But these are exceptions. One reason for the continuing class ratio may be that many of the relatively clever families have already attained middle class status. The way to the top by academic scholarships has been well trodden by previous generations, and research would probably show that a good many of today's middle class candidates had working class grandfathers. There is a limit to arguing against genetics.

BUT is either method of entry hopelessly biased against Redbrick aspirants? The frequent claims that both of them are seem difficult to substantiate. Method I candidates are only numbers to the examiners of their written papers, but the Oxbridge papers invariably end up at the top of the lists. Method II obviously has fewer qualms for the more rounded and self-confident Oxbridge personality, and the ending of national service may have prevented some provincials from developing demonstrably officer-like qualities by the time they reach the Civil Service Selection Board; but the CSSB tests are not for bumptiousness or social skill, but for administrative potentiality. The failures may occasionally suffer from an inferiority complex (possibly after fluffing an Oxbridge entrance exam in the past), but more often they really seem inferior. If there were a cluster of dialect-speaking provincials just below the method II pass mark it might have been an

indication of social bias in the final selection, but near-misses of this kind are not apparent. The Scottish universities which, like London, have a passable record (possibly because they still possess a number of good people who have never tried Oxbridge) have had some striking successes by method II. But only one out of 195 English Redbrick, Welsh and Irish university candidates under method II in the gloomy years 1957-60 managed to get in. The greatest slaughter of the non-Oxbridge is in the first written examination which, as in method I, is marked anonymously.

Significantly, both the working class boys who did well in the academic entry last year had won their way to Oxford first. University entrance—to the right universities—is the great hurdle which the exceptional child in intellectual training from the age of seven upwards has to clear; once he has cleared it, he finds the Civil Service, top jobs in the Coal Board and all the rest open to him. If there is a bottleneck into the Establishment for the working and lower-middle classes, it is chiefly caused by the pre-selection process in the general educational system. But even so, the normal performance of the provincial university arts student is utterly depressing.

Does Oxbridge really skim all the cream? Or is it possible that the right kind of Redbrick candidate is not being pushed forward? The chief lure of Whitehall is to be at the centre of things. The Oxbridge man assumes that this is his right; to the others the ambition may never have been properly pointed out by their teachers, and when it has been the fear of failure can still be astonishingly pervasive. In an institu-

tion where an attempt at the Treasury is taken as a matter of course, regular and serious candidacies become much more probable. This factor even operates between the Oxbridge colleges, and the statistics suggest that, while Cambridge as a whole puts fewer men in than Oxford, they may have been rather better picked by the dons beforehand.

There is no easy answer for reformers. To operate a proportional system (which might be categorised as “places for the hill tribes”) would lower the general competence of the Civil Service, besides being quite unfair. The academic subjects that can be taken under method I are already legion: some years there are more papers than candidates. The better provincial universities will probably produce more first-class scientists-turned-administrators as time goes on; at present, however, it is usually the indifferent scientist who looks at the administrative Civil Service as an easy way out—and falls flat.

The Civil Service itself is also, as it happens, less open to criticism than other bodies, for the way into the top administrative class from the lower grades is always open. Two of the present permanent secretaries in Whitehall came in at sixth-form level; one deputy under-secretary began as a boy messenger. This route from the bottom may be harder to pursue in future, but it should always remain to leaven the lump. To get more provincial “fliers”—short of erasing Oxbridge entirely—the chief need, to put it bluntly, is to improve the standards of intellectual discipline in the provincial universities themselves. Plenty has been said about it in, and to, the old Redbrick. It may be up to the Brightons, Colchesters and Lancasters to do the trick now.

NOTES OF THE WEEK

BERLIN

Sans Souci

IT is sometimes said that the West trembles too easily at Mr Khrushchev's frown. Just now its trouble is the opposite; Mr Khrushchev being for the moment in a relatively sunny mood over Berlin, the West has relaxed like a holidaymaker careless of the clouds tomorrow may bring. The recent belief that the Berlin crisis has passed its worst assumes that the western powers can agree among themselves on a negotiating position which, in turn, can lead to an agreement with Russia. Neither part of the assumption is anything like a safe bet.

Dr Adenauer's meeting with General de Gaulle this Saturday, and the talks between the four main western foreign ministers next Monday and Tuesday, may show whether there is anything left of the assumption at all. A fortnight ago, when Mr Macmillan failed to shift General de Gaulle from his refusal to negotiate, the optimists thought that the general was being obstinate because he believed himself to be speaking for Dr Adenauer as well. Dr Adenauer, ran the theory, would settle that misunderstanding this weekend. In fact, the French resistance to negotiation—even negotiation on Berlin

alone, as distinct from the whole problem of central Europe, which is all Mr Kennedy has persuaded Dr Adenauer to accept—may well survive the weekend intact. M. Couve de Murville told the French senate on Tuesday that negotiations, in effect, would simply mean giving something to the Russians in return for the West's getting permission to keep rather less than what it holds now.

To judge from Wednesday's debate in the Bundestag, most west Germans want to limit the scope of negotiations even more strictly than Mr Kennedy and Dr Adenauer agreed to limit them. Indeed, there has been talk in Paris this week that, if anyone gets shifted from his previous position in Saturday's confrontation between the French and German leaders, General de Gaulle is more likely to be the mover than the moved. In such an event, the insouciant optimism of the last few weeks is liable to be short lived. It is fairly clear that Mr Khrushchev withdrew his end-of-1961 deadline for signing a peace treaty with east Germany on the understanding that the West would agree to negotiate about Berlin. If the West now tells

him that, because of little local difficulties, it regrets that it cannot do anything of the kind, Mr Khrushchev may reply that it has broken its word. The result might be the final rupture of his self-control, and a swift movement of events past the point of conciliation.

WAGES

Holding Fire

THE unions—and some other people—are becoming more and more convinced that the Government's real intention in the pay pause is merely to hold it until January or possibly February; after that they expect, perhaps not a deluge, but at least to be able to trickle most claims over the dam. They therefore have every incentive to delay action until the new year. The year is now to be launched to the accompaniment of a go-slow by post office staffs (it has been unkindly suggested that some of them could not go any slower without falling asleep); and in mid-January the civil service clerks will also start to “work to rule,” meaning presumably that they will not stay late at work or make any kind of special effort. It would be awkward if

this go-slow were to interfere with the repayment of income-tax to other striking workers such as the engineers, whose pay claim is to be answered by the employers on December 13th, almost certainly not in a way that the unions will like. By about mid-January the engineering union leaders should have got round to thinking about what action they will take, and they will be under pressure from their militant members to make it strong.

On the employers' side, the coal board's present tactics are to go slow itself on its reply to the miners' claim: the mine-workers are unlikely to act without exhausting the machinery for arbitration in their industry, and this should take time yet. The railwaymen, too, are likely to play a canny game for a time, despite the unofficial go-slow this week by some footplate staff on certain London commuting trains.

Meanwhile, a substantial increase in pay for fire brigades is likely to be announced this weekend; so far only the starting date of their increase has not been decided, and (pace the Government) it would be foolish of the local authorities to make too much of an issue of this. There is a genuine case for higher pay for firemen, as the brigades are very short of staff. Possibly they should get smaller increases in some regions than others; but even on this point it can be argued that firemen (who are often bachelors, because they sleep on their job) are usually willing to move around the country, that co-operation between brigades from a wide area is common, and that they therefore have a better case than most for a genuinely national wage increase. What ministers should really point out immediately after this increase is that, as labour-shortage industries like the fire brigades need to get wage increases well above the likely growth in national income in the year ahead, labour-surplus industries will need to get increases well below that potential growth rate if the national accounts are to be balanced; and they should specify which those labour-surplus industries are. But one doubts whether ministers will.

EUROPE

Holy Alliance?

IN wooing the common market, the British Government rightly takes the view that it would be improper to put forward views on the bride's plans for her future career. Confronted with the maturing plans of the six-nation Fouchet committee on further political co-operation between the members of the common market, Britain has beamed benevolently and kept mum. Luckily, the plans put before the committee by France call for a very modest degree of inter-governmental co-operation. There is no danger that Britain will be confronted with some new supranational project which it must swallow unchewed; and it is saved the trouble of taking sides in a debate between friends.

All the same, the British Government would be foolish if it did not welcome with an even broader smile the mild modifications on defence the Dutch have now introduced into the Fouchet plans. Though the defence section in the original French draft was vague, there are some people in France who see the integration of European defence forces as a safeguard in case the Americans withdraw. The trouble is that it might in fact encourage the Americans to do precisely that. Under Dutch pressure, the new draft suggests that the contemplated union should not form a separate defence organisation, but should help to strengthen the Nato alliance.

The British, at the moment, have no particular enthusiasm for some of the other proposals of the Benelux countries—to strengthen the European parliament, preserve the existing communities of the Six, and make sure that the small countries are not swamped. Mr Macmillan, by contrast, has publicly declared that he likes the French idea of *l'Europe des patries*, which plays down the European institutions.

Whether the British will continue to hold this view is another question. So long as the plans for co-ordination of foreign policy make no provision for majority voting, no one can complain. But if, as some Frenchmen envisage, the proposed council of heads of governments were one day to have majority voting and real powers, doubts would be justified. It is not that greater political unity in Europe is undesirable. What is questionable is whether a kind of Holy Alliance on foreign policy between Europe's Grand Old Men is the best way of attaining it. Experience in the community so far suggests that a strong European parliament and commission—to protect small countries from large ones—might well produce more liberal and more positive results.

IMMIGRATION BILL

Best of a Bad Job

THIS week the Immigration Bill has started on the first lap of what will undoubtedly be a very long, complicated, bitterly contested and probably guillotined committee stage on the floor of the House. Quite rightly, although unfortunately on Wednesday too rowdily, the Opposition is fighting it line by line. On the first Labour amendment—which sought to absolve colonial subjects from the restrictions—the Government's majority fell to 69. There were apparently only three deliberate Conservative abstentions, but a bigger Tory revolt certainly ought to come later (despite the heightened political atmosphere) now that the bill's inefficiencies as well as its colour prejudices have been exposed. On Tuesday Mr Butler floundered about unhappily, explaining once again how inoperable were restrictions against the Irish and how essential they were to the bill. From this the House gathered

that the Irish were not to be restricted, at least as long as Dublin makes sure that Irish ports are not made the gateway for illegal Commonwealth immigration. The hint will doubtless be taken.

The Government will, nevertheless, presumably be able to steamroller through all the clauses that it still wants. The question therefore arises how many of the 150 amendments that have already been tabled it can be persuaded to accept. One welcome concession made this week is that the bill is to expire at the end of 1963, and will thereafter have to be renewed annually. Presumably the Government will resist all amendments designed to exclude whole categories of people—such as students—from the bill's operation; but cannot it be persuaded to agree to the Opposition's suggestion for an advisory committee to guide the Home Secretary in exercising his powers over Commonwealth students? A number of amendments propose the statutory admission of resident immigrants' wives, dependants, children, mistresses, etc.; but the Government is likely to say that these people are better dealt with in the instructions given to immigration officers by the Home Secretary. On this point Mr Butler has made an important concession by agreeing that these instructions will be made public.

Another group of amendments seeks to limit the powers of exclusion by immigration officers; the most important—but presumably uncarryable—of them is Mr Turton's, which would virtually confine the right to exclude Commonwealth citizens to grounds of physical disease, criminal conviction and national security. A determined effort is also to be made to substitute the requirements of a *bona fide* intention to seek work for the proposed employment vouchers of the Ministry of Labour. A most desirable amendment to the bill is the proposal to set up some form of appeal from the decisions of immigration officers. Mr Silverman's suggestion of appeal to the High Court would not be effective, but both the Labour and Liberal parties have put forward proposals for setting up a Commonwealth Immigrants' Appeal Tribunal. In essence their ideas are the same, but Mr Gaitskell's, which provides for a specially qualified section to hear appeals on medical grounds, is to be preferred.

PARLIAMENT

Of Mace and Men

IT always looks at Westminster like a great tactical victory, but it probably generally redounds in the country as a small strategic defeat, when an Opposition gets a meeting of the House suspended on a procedural point after scenes of some disorder. The operative word used by the great big outside public is apt to be “silly.” Nevertheless, after Wednesday's shenanigans another period of slightly spurious in-fighting and heightened excitement in the House has presumably begun; and perhaps the

main importance of such periods in that it is often during them that particular front bench reputations tend to get a new shine rubbed on to or off them.

On the Labour side, the main gainer of kudos so far has been Mr Brown, who spotted that the mace might be in the wrong place at one stage of poor Sir Gordon Touche's attempts to restore order on Wednesday. On the Government side the one Minister whom Tory backbenchers have found to cheer this week, at a time when they urgently felt the need to do a bit of cheering of somebody, was Mr Heath; he was adjudged to have replied notably well to Mr Wilson's first shaft of questions as Labour's foreign affairs spokesman, and this success could be important for him—and even for the future of the Tory leadership. Mr Wilson, incidentally, has opened his new foreign policy role with some remarks—on disengagement, on Katanga and anti-common-marketism—that were pitched further to the left than some advocates of peace between himself and Gaitskillism would like. And the main features of Mr Gaitskill's second batch of shadow cabinet switches—the movement of the railwayman Mr Gunter to be shadow Minister of Labour, of the now pro-European Mr Strachey to look over the less pro-European Mr Healey's shoulder in Commonwealth affairs—seem nearer to indecisiveness than to bold originality.

FRANCE

BB
v.
OAS

GENERAL DE GAULLE may be more popular than Mlle Bardot (anything is possible); he is certainly not so valuable a dollar-earner, and none of his recent, most welcome, moves against the Organisation de l'Armée Secrète has had so marked an effect on public opinion as the film star's energetic repudiation of the attempts by right-wing terrorists to blackmail her. On November 30th *L'Express*, the left-wing weekly, announced that earlier in the month Mlle Bardot had received a letter from the OAS ordering her to send it 50,000 new francs (about £3,500), and saying that if she failed to do so the "special sections" of the OAS would be brought into action. Undeterred by this hint, Mlle Bardot im-



Political animal

NOTES OF THE WEEK

mediately laid a charge against X ("person or persons unknown") for attempted blackmail, appealed for police protection, and sent a letter to *L'Express* telling the whole story, saying "I won't play because I have no wish to live in a nazi country."

On December 5th, the OAS denied having sent the letter. But its not entirely convincing denial came too late to undo the effects of Mlle Bardot's demonstration. The revulsion against the OAS may have had something to do with the stiff sentences imposed on Wednesday on several *plastiqueurs*, although the judge seems to have leaned over backwards to "understand" the motives of men who admit the theft of explosives, the throwing of a hand-grenade and the attempt to blow up a power transformer. It remains to be seen whether the government can carry out its intention of catching General Salan and his principal fellow-conspirators of the OAS in Algeria.

One gleam of light in Algeria, at least, is reliably reported. Secret talks between the Moslem nationalists and the French are said to have begun again, and agreement on a cease-fire is hoped for in the New Year. The only outstanding points of difference involve the status of the Europeans in Algeria and the length of a hand-over period. Neither may prove insurmountable. The chief fear is that the OAS may attempt another *coup d'état* if and when the news of an agreement is made public.

LAOS

Slower than Thou

BUT for one fact, the Laotian princes would win their last-man-home race against the sixteen delegations conferring at Geneva on the future of their country. The art of going slow has never been more exquisitely demonstrated than in the past half-year of manoeuvres between Princes Souvanna Phouma, Souphannouvong and Boun Oum, the horizontal, left and right sides of a hypothetical triangle that may, everybody hopes, one day rule a neutral Laos. If the winning post means agreement, the Geneva negotiators now seem closer to it than the princes. But the princes cannot possibly get there last, for final agreement at Geneva awaits the formation of the government of national unity which all three endorsed in principle at Zürich in June.

Over the weekend, notes went out from the British and Soviet co-chairmen of the conference urging the princes to compose their remaining differences. There are hopeful signs. Prince Boun Oum—who had gone to his estates in southern Laos, by the slowest possible route, to attend his mother's funeral (she died six months ago)—has now said that he will go to the Plain of Jars, Prince Souvanna's stronghold, without an escort, if only Prince Souvanna will agree to come to Vientiane, Boun Oum's stronghold, later under similar conditions.

At Geneva, meanwhile, important pro-

THE ECONOMIST DECEMBER 9, 1961

gress was announced this week. The conference has agreed to a watered down form of Russia's "troika" proposal. The three-nation control commission for Laos, consisting of Poles and Canadians under Indian chairmanship, is empowered to investigate reports of alleged breaches of the proposed agreement on Laotian neutrality on the recommendation of a majority of its members—not, as the Russians wished, by a unanimous vote. On the other hand, unanimity will be required for action to be taken. The commission originally set up in Laos under the Geneva agreements of 1954 was not similarly hampered. This week's compromise thus favours the communist side. An important concession to the West, however, is an agreed pledge that Laotian territory is not to be used for intervention in other countries. If this can ever be implemented, it will cripple north Vietnamese communist operations in Mr Ngo Dinh Diem's south Vietnam.

NEW GUINEA

Divided Counsels

ALTHOUGH the Indonesian republic partly owes its independence to United Nations intervention, its president has always found it hard to take the UN's reluctance to support his claim to Dutch New Guinea. In 1957, when the General Assembly failed to give a two-thirds majority to an Indonesian resolution, Dr Sukarno, for spite, expelled the Dutch from his country. Last weekend, following another inconclusive debate in the General Assembly, he made a bellicose speech saying that he would soon order his forces to liberate the Dutch part of the island. In so doing, he disavowed his own foreign minister, Dr Subandrio, who had told the Assembly on November 16th that he and the president stood by their pledges of not using violence to further the Indonesian claim.

Divided counsels probably prevail in Jakarta. Indonesia's soaring deficit in its balance of payments can hardly be met unless some of the massive armament orders placed abroad are cancelled. Perhaps General Nasution had this in mind, three weeks ago, when he promised that West Irian would be liberated, but not until 1963.

In the meantime, the Dutch go their serene way, apparently untroubled by threats of action in the near or distant future. Having belatedly regained the initiative by offering to surrender sovereignty to the Papuans and administration to a UN authority, they have now renamed their last Far Eastern colony "West Papua." This is an independent-sounding title, free of colonial taint. But it is not enough, apparently, to placate the Indonesian government, which continues to attach greater importance to gaining control over an inhospitable half-island than to putting its finances in order.

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The Chameleon and the Clown



"You're very clever," said the Clown.
"At doing what you do.
But though I'm no chameleon
I'm quite a mimic too.
If someone stole my Guinness, say,
Then I'd change colour right away.
I'd go quite green with envy if
They took my favourite drink—
A fellow needs one every day
To keep him in the pink.
So if you're ever feeling blue
Then always go and have a few."
"I'm feeling like a Guinness now,"
The saurian replied.
"And if you watch me very close
I'll look like one, beside."
But though he turned a darker hue
He bore no likeness to the brew.
The poor Chameleon blushed at this.
He went a fiery red.
"That's nothing like a Guinness, no!"
The Clown abruptly said.
"But nothing is—you're not to blame—
Except another of the same."
And that's the MORAL of this fable
Guinness is quite in-im-it-able.



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is good for you—and me

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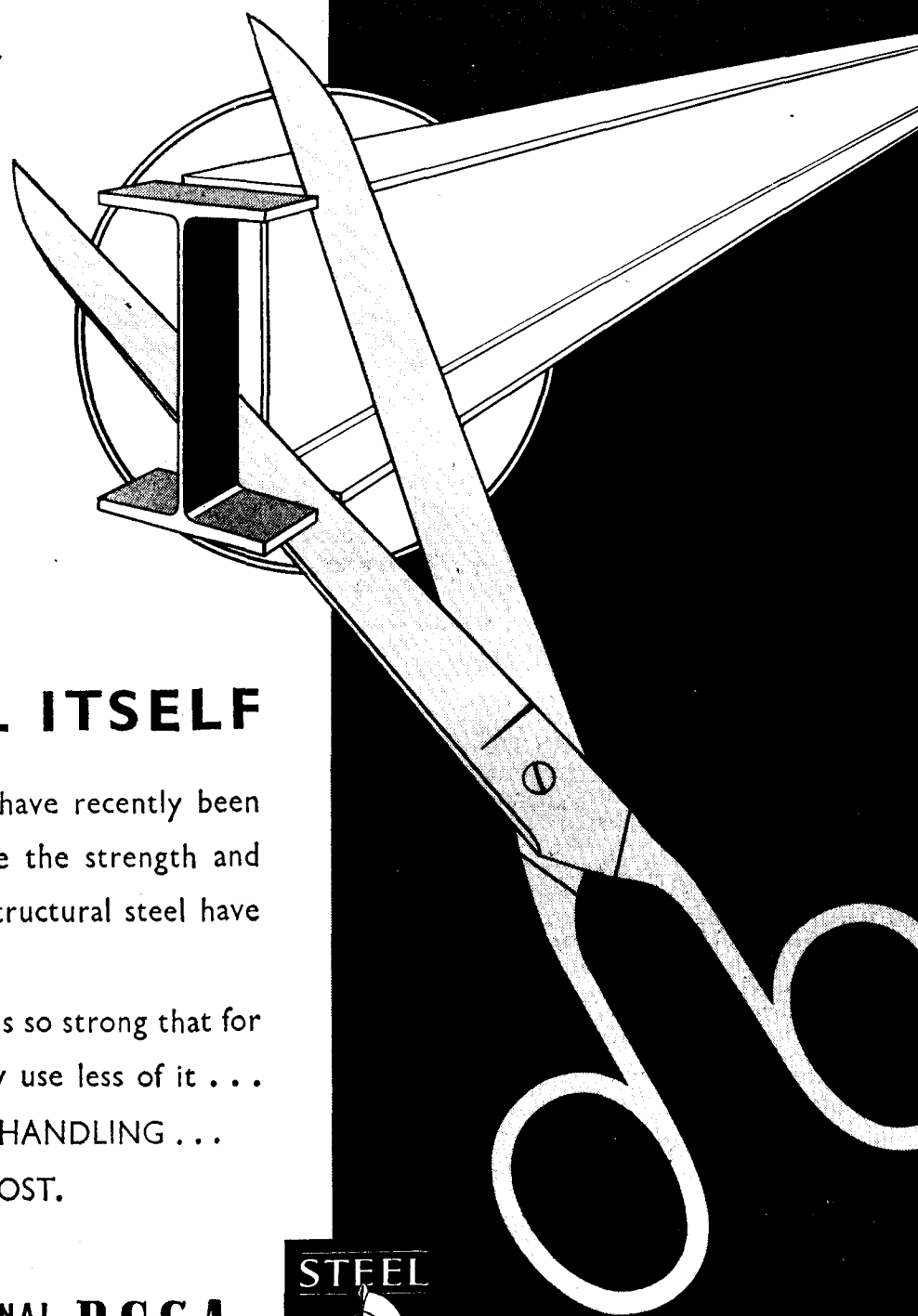
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JURIES

Good Men and True?

THREE recent cases have highlighted the shortcomings of one of England's most venerable institutions—the jury. In the first, a coloured juryman in a murder trial, described by counsel as stupid and completely unable to follow the proceedings, was fined by Mr Justice Elwes for chatting with the witnesses. In the second, Judge Maude discharged a man from jury service when he asked for help in reading the oath. In the third, a foreman was alleged to have provided his fellow jurors with a list of the accused's previous convictions.

Sir Richard Elwes was sufficiently horrified by the first of these cases to suggest that the law governing trial by jury needs amending; and the Home Office is now understood to be "considering" the matter. Nowadays, jury trial is mainly confined to serious criminal offences; there is a right to demand it where a penalty of three or more months is involved. In civil cases there are only a minority of actions where it must nominally be ordered: fraud, defamation, malicious prosecution, false imprisonment, seduction and breach of promise of marriage. In other civil cases its use has declined, partly because trial by a judge alone is swifter and cheaper. In admiralty and chancery cases, juries are not used at all.

* Qualifications for jury service are curious. One must be a £10 freeholder, a £20 long leaseholder, a householder in the £30 valuation list in London or Middlesex (or £20 elsewhere), or else occupy a house with not less than fifteen windows. Peers, members of Parliament, ministers of religion, practising barristers and lunatics are exempt from jury service. The property qualification means that most juries are predominantly male (usually 9 or 10 out of 12), since more men than women occupy property. In the past the property qualification also meant that most jurors came from the upper and middle classes, but with the upvaluing of property most occupiers of houses or flats are likely to be potential jurors in future. Jury service is compulsory, and non-attendance is punished by fine. Under statutes of 1949 and 1954 travelling and subsistence allowances may be paid to jurors and up to 40s. per day for loss of earnings.

Total abolition of juries has been advocated by some, but the case for this is certainly not proven; in deciding straightforward issues of guilt or innocence, and in assessing the credibility of witnesses, jurymen are probably as good as the average judge, and possibly better. A more reasonable reform would be to make liability for jury service co-extensive with the electoral roll (thus abolishing the property qualification), and to couple this with a simple literacy or intelligence test taken at the court. The efficiency of juries would be increased if in complicated cases they were

given copies of the principal documents and allowed to take notes. Juries have no special qualifications for assessing damages; often the best solution for these might be a joint consultation of judge and jury after the verdict has been brought in.

GYPSIES

What Care I . . . ?

THE deplorable treatment of gypsies in England and Wales was the subject of a private member's motion in the House of Commons last week: what emerged from two lengthy speeches, by Mr Norman Dodds and Mr John Wells, was an easy indifference to their plight (masquerading as romantic tolerance) on the Government's



part and an unreasoned hostility to them on the part of most local authorities. Thanks to successive Town and Country Planning Acts, which give local authorities draconian powers to close down so many of their caravan sites as eyesores, Britain's persecution of its gypsies is now mortifyingly worse than the treatment of them in most totalitarian countries. Mr Dodds's motion asked the Government to devise and implement "a national plan" to overcome these people's disabilities in the fields of education, health and employment, and in particular to prevent recurrences of such heartless evictions as that at Colney Heath, in Hertfordshire, some months ago.

The loss of nearly all their traditional camping sites and the failure of their traditional crafts in modern England have practically destroyed the George Borrow type of gypsy life to which Augustus John became so attached. There is no sense in trying to remake that life artificially: but neither is there any excuse for hounding a minority tribe of vagrant people out of their traditional ways and occupations (and, in the end, out of existence). The need now is, first, to make a social survey to remedy the present appalling lack of information about the gypsies and their problems (the Ministry of Housing and Local Government depends on mentions in the press); and, second, to bring pressure on local authorities on the gypsy circuits who object to casually-pitched caravans to make some alternative provision for gypsies' camping

and welfare. In England and Wales, the county of Kent is the only authority to have made any attempt to find out what the problem is, and Ashford in that county is the only local authority to have made any sort of reasonable, permanent camping amenity available to gypsies (against strong local opposition), although other authorities have managed to persuade a few away from scrap-dealing and caravans into settled employment and council houses.

As far as education is concerned, however, there is little even the most devoted local council could do about a small minority constantly on the move and often out of their jurisdiction: if it is agreed that the illiteracy of any segment of the population is a bad thing, there is a good case for some special provision by the Ministry of Education for gypsies and travellers. There is also a need to see that these people are as well treated as other Britons under the national health service.

MOTOR INDUSTRY

The Courteous Summit

WHENEVER managers and trade unionists sit down together to discuss matters other than wages, it is a good thing: both sides of British industry need to understand each other's problems far better than they do. But the danger about talks of this kind is that the talkers may feel themselves obliged to reach some form of outward agreement that merely glosses over underlying and perfectly justifiable causes of conflict. This trap is precisely what has caught the bosses and union leaders from the motor industry, who last week held the latest of their conferences under the chairmanship of the Minister of Labour.

At these talks, held in the public eye and under such august auspices, neither side could afford to strip off its coat and risk showing an ungainly pair of braces. Last Tuesday a team of distinguished spokesmen from both sides appear to have spent an afternoon at the Ministry congratulating each other for having stood firm in the face of the grievous series of unofficial strikes held since their last meeting—at Pressed Steel, of Swindon, and at Smiths Motor Accessories and a Rootes Group subsidiary outside London. It is splendid that people in industry should appear determined to keep their agreements; the trouble is that the union leaders in all three cases showed themselves unable to do so. Polite talks are unlikely to change this.

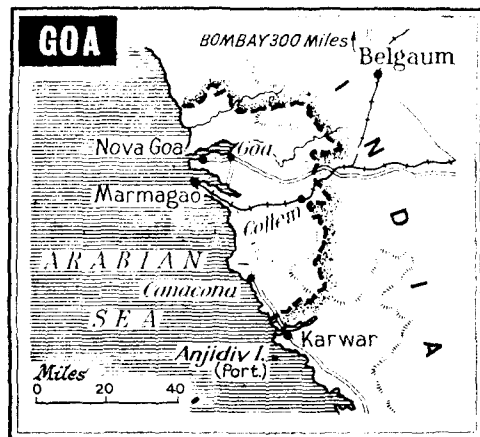
Less formal meetings, however, may be more useful, perhaps precisely because they are not committed to produce a result: a group of managers and trade unionists who first got together at the Duke of Edinburgh's study conference at Oxford in 1956 show how in two booklets published this week. "Work and Leisure" is an impressionistic

approach to people's attitudes to working hours and overtime payments, which entertainingly rams home the fact that increases in earnings and increases in basic, nationally negotiated wages are not at all the same thing. The other booklet, after some polite generalities about how job opportunities change with economic and technological changes, goes on to make some constructive and thoughtful suggestions about redundancy policy. Fears of ham-handed treatment in the event of redundancy have often caused labour troubles in the unstable motor industry: the Minister's gathering might have spent a more profitable afternoon reading this.

"Work and Leisure" and "Changes in Employment Opportunity." Central Committee of Study Groups. 2s. 6d. each.

INDIA AND PORTUGAL

Goaded



IN the fourteen years since India became independent, Mr Nehru, as befits the heir of Gandhi, has secured for his country a high place in the ranks of peace-loving nations. How urgently he feels the duty of avoiding war was once again made clear in the lower house of the Indian parliament on Tuesday, when, in a discussion of the Chinese threat to send troops into north-east India if the Indians did not withdraw their patrols from the disputed border territory, he said that the training of a long life had led his whole soul to react against the thought of war. But, as he sadly recognised, the point may yet come when Chinese pressure will compel a resort to arms. "I do not rule out war," said Mr Nehru. "Our desire is to avoid it, but not to submit to any evil to avoid it."

These words may be noted in another quarter. Little, as yet, is known, and still less is clear, about the resurrection of the Goa dispute. The Portuguese government alleges that, as a preparation for a large-scale attack on Anjidiv Island on November 25th, an Indian merchant ship passed through Portuguese territorial waters, and refused to identify herself when requested. She was therefore fired on; an Indian attack on the island (which is inhabited only by Portuguese forces) was repulsed.

NOTES OF THE WEEK

By contrast, the Indians claim that there have been two unprovoked attacks by the Portuguese on Indian vessels, in one of which a seaman was killed. The movement of troops south from Poona towards the border of Goa, like the protests in the Indian parliament, is therefore in Indian eyes merely the spontaneous reaction of an injured nation to a challenge like that presented by the Chinese. But it is convenient for the Indians that the incidents should have occurred immediately before the second convention of exiled Goans, which opened in Bombay on November 25th. Things may, or may not, have reached explosion point. Mr Nehru can be trusted to proceed as reasonably as possible, even though the capture of Goa would make a wonderful rose in his buttonhole for next year's general election. Dr Salazar, however, does not seem to be counting on Indian restraint; there are reports of Portuguese reinforcements in Goa, and of the evacuation of border villages.

SOVIET UNION

Bill for Berlin

THE Supreme Soviet, or Russia's parliament, opened its traditional budgetary session on Wednesday. Mr Garbuzov, the minister of finance, estimated the budgetary revenue in 1962 at nearly 82 billion roubles and expenditure at just over 80 billion roubles. Thus, again in keeping with tradition, the budget should show a surplus, with both sides of the balance-sheet considerably expanded. By far the biggest increase, however, and one that goes against the previous trend, is in defence. The original defence estimates for 1961 amounted to 9,300 million roubles; for 1962, they are now put at 13,400 million roubles. Although budgetary expenditure may well not be an accurate yardstick of the Soviet defence effort, a

THE ECONOMIST DECEMBER 9, 1961

rise of 44 per cent in a year is striking.

The announcement, however, is not unexpected. In fact, Mr Khrushchev foreshadowed a change of policy at the height of the Berlin crisis, on July 8th. Stalin's successors, although vigilant about defence, had realised that there were other things which needed more money. In the post-Stalinist period the share of defence in the budget regularly declined. Developments in rocketry made it easier to release manpower from the armed forces; in January, 1960, Mr Khrushchev announced that the Soviet forces would be reduced from 3,623,000 to about 2,400,000. But the Berlin crisis altered these plans. Eighteen months later, the Soviet leader announced that demobilisation was suspended and the military budget raised by a third. Mr Garbuzov has now merely translated this shift in terms of a full financial year.

When he announced the change of policy in July, Mr Khrushchev expressed the hope that it would prove provisional. A statement on foreign policy which, according to the established pattern, should crown this December session of the Supreme Soviet, may reveal whether Russian hopes of a Berlin settlement have soared or dwindled. Mr Khrushchev must know that if, in keeping with the French saying, the provisional tends to last, the defence burden will hinder him in other directions; in particular, it will handicap Russia in its economic race with the West.

CARIBBEAN

Future Spectres

DIRECT action against Dr Castro having proved, in April, a flop, the United States is back at the hard job of shepherding the Latin American governments towards some kind of collective rebuke. Diplomatic persistence has won a minor victory. On

THE ECONOMIST DECEMBER 9, 1961



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The Economist

DECEMBER 7, 1961

AN AMERICAN WAR?

Beyond all question it is something very like insanity for the Federalists to bring upon themselves a war with England, when they have enough and more than enough on their hands already. But they do not think so. They—that is the voting, electioneering, spouting, rowdying public—do not think either that their hands are full, or that a war with England is a thing to be dreaded or deprecated. The depth of their ignorance is unfathomable. The height of their frenzy is inconceivable. Their talk is not mere conscious bombast and rhodomontade. They actually believe that they can easily conquer the South, and lick Great Britain into the bargain. They are already growing wild with the prospect of crowning their victories by adding Canada to Texas. Of course Mr Seward knows better than this, and

so do Mr Lincoln and Mr Chase. So does Mr Adams over here. So do the hundreds of well-informed and travelled gentlemen in Boston. So do the trembling and victimised merchants of New York. But what of that? These are not the men—these are not the classes—who habitually decide the policy of the United States, who elect the Congress, and enthroned the President. Only in the rarest crises are their voices heard; and even then they are too commonly drowned in the fierce and tumultuous roar of a passionate, misled, and ungovernable populace, accustomed to make their own law, to avenge their own wrongs, to trample on all obstacles, moral, legal, and material,—sincerely fancying (for they have been always taught so) that nobody ought to oppose them, and that nobody can resist them.

Materials Handling-1

Materials handling may well be defined as the technology covering the movement and storage of everything in and about industrial or commercial premises. The term covers the handling of raw materials as well as tools; the movement of components between operations and in stores; of finished products, and of the scrap; cutting oils and process machinery; and the movement of workpeople in relation to the handling of material.

The object of a materials-handling survey is to eliminate handling as far as possible and to study the remaining operations to ascertain if they can be economically and efficiently mechanised.

Improved materials handling raises productivity, for it gives, among other benefits: greater output from a given floor space; reduction of bottlenecks; reduction in damage to products; increased speed of handling and a consistent production level.

Process integration (the combining of two or more processes in one situation or machine with no manual inter-process handling, or the mechanical linking together of two or more processes for automatic operation) is one of the preliminary steps in the development of automation.

MECHANICAL HANDLING

Many kinds of mechanical-handling equipment are in use today, each with its own attributes and uses, but in most cases there is only one type which offers the best solution to any one handling problem. Most mechanical-

handling equipment is electrically operated, and the judicious use of electricity in this way can substantially increase productivity.

Main Categories of Mechanical Handling Equipment
LIFTING EQUIPMENT; OVERHEAD RUNWAYS;
CRANES; CONVEYORS AND ELEVATORS;
INDUSTRIAL TRUCKS.

LIFTING EQUIPMENT

Electric pulley blocks are used for loading and unloading purposes, warehousing and in process work. When used with a trolley they have great flexibility. No manual effort is required, hence lifting does not cause any fatigue. They may use either chain or wire rope, and the speed of lift of both types is slower as the lifting capacity increases. An inching motor may be fitted to give very slow speed for accurately positioning the load, for example in a jig.

Lifting magnets are used for the handling of iron and steel in conjunction with a crane or hoist. They do away with the necessity for slings and give increased speed of movement. They can lift castings, ingots and swarf, scrap, rolled steel

sections, and can be used in loading bays, foundries and steelworks.

OVERHEAD RUNWAYS

Overhead runways have many uses where lifting and/or transport are required, when frequency of flow does not warrant a conveyor, e.g., for loading and unloading lorries, in core ovens, for feeding machines, for storage, for maintenance purposes, for textile drying and interconnecting two or more buildings. A runway consists of a steel girder along which a load trolley runs. It consists of two main items: the electrified drive of the trolley (i.e., a power trolley) along the runway and an electrically operated lifting unit, usually an electric pulley block. A telfer has a cab for the operator suspended from trolleys on the runway and mechanically connected to the electrically driven trolley of the pulley blocks, thus travelling with them. Telfers are employed for handling individual loads which may be outside the range of normal electric blocks.

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 are available on electricity and productivity (8 6 each, or 9 - post free) — "Materials Handling in Industry" is an example.

E.D.A. also have available on free loan in the United Kingdom a series of films on the industrial uses of electricity including one on materials handling. Ask for a catalogue.

Electrical Aids in Industry — Data Sheet

21



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Monday, the Organisation of American States agreed to the Colombian proposal that the hemisphere's foreign ministers should meet on January 10th to discuss the red peril in their midst. Neither Cuba nor communism were mentioned in the OAS resolutions; the foreign ministers are to consider the threat to peace and political independence that would arise from the intervention of extra-continental powers. But the disguise of jargon did not make the resolution any more acceptable to the major Latin republics: Mexico joined Cuba in voting against it; Argentina (despite Mr Stevenson's meeting with Dr Frondizi last week), Brazil, Chile, Bolivia and Ecuador abstained.

The reluctance of the larger republics even to discuss the Cuban situation in public makes it improbable that the foreign ministers' debate will produce any fresh line of action for the ostracization campaign. Most of the governments that want to break off diplomatic relations with Cuba (and believe that this can be done without domestic risk) have already done so; and it is only the United States that can, and has, hurt Cuba economically. At the San José conference in August, 1960, the United States succeeded in lifting the Cuban issue from the level of a private dispute to the status of a threat to hemispheric security. This danger can be aired again, but it is hard to see—short of direct military action—what can be done about it.

Dr Castro showed his contempt of the whole proceedings by making a long and defiant television speech on the eve of the OAS meeting. In it he put into words what had, in fact, already become clear from his actions. He labelled himself a Marxist-Leninist and described how he was forming the United Party of the Cuban Socialist Revolution to lead the country on the road to communism. In contradiction of Cuba's activities at the meeting of non-committed countries in September, Dr Castro said that he recognised no half-way position between socialism and imperialism. This was frank speaking. But there may still be room for argument at the foreign ministers' conference whether Dr Castro's description of himself as a Marxist, and his assertion that lessons can be learnt from the Soviet Union, can be equated with the existence of "extra-continental intervention."

Past Ogres

PURIFIED from Trujillos, politics in the Dominican Republic could still be a lot cleaner. The opposition, loosely brought together by Dr Viriato Fiallo, the leader of the National Civil Union, has refused to work under President Balaguer, claiming that a Trujillo man, even under another name, still smells too strongly of the past. Last week, a general strike was called in protest against the persistence of the old order. The honourable reputation that President Balaguer managed to preserve while working with Trujillo, father and son, is disappearing fast. When his plans for a

coalition government began to collapse, he suggested a seven-man junta, led by himself and including the head of the armed forces, General Rodriguez Echaverria. Two weeks ago, this air force officer was greeted as a hero for his part in getting rid of the Trujillos; now it looks as if his ambitions are a far cry from democratic government. The police, under his command, have been handing out rough treatment to the strikers in Santo Domingo (now no longer Ciudad Trujillo). But the strike, and the political tussle, go on.

HOMELESS

About Aunt Sally

ONE has got used to Labour politicians, on the LCC and elsewhere, saying that the problem of homelessness in London has been in some way "created" by the Rent Act. But it is a flabbergasting commentary on the state of economic ignorance in Britain when bishops and others appear to join in. In view of some of the slogans that are apparently due to be carried in an increasing number of demonstrations between now and Christmas, can an appeal be made to some of the intending demonstrators to put on their reasoning caps for one moment?

There is a rising population in London; there is a slightly varying amount of accommodation offered for rent. Any piece of legislation—the Rent Act or anything else—can increase net homelessness in London only if it reduces the amount of accommo-

dation newly offered for rent. Obviously, the 1957 Rent Act has not reduced these offerings on the market. It has increased them, even though not by enough; and therefore—this is a hard, simple, deducible arithmetical fact—the total number of homeless would quite certainly have been larger without the Act than it is now.

What the demonstrators therefore presumably really mean is that the Act has changed the composition of the small tragic cohort of the homeless, making ability to pay a more important rationing factor and sheer luck in finding a new flat or (in the small number of cases where security of tenure has been affected) existing squatters' rights less important. They regard this as most unfair. But it is awfully difficult to believe that the effect of recontrol in changing back the composition of the thereby increased number of homeless would be the effect they seem to envisage. All experience showed that under a controlled system landlords really grant their decreased number of new lettings to those who are able to get round the unenforceable part of the controls (e.g. who have the capital to pay bogus charges for furnishings and fittings) or to those whom they prefer on grounds of convenience (e.g. who do not have more children than the landlords or landladies like); under recontrol landlords would elevate these criteria to being an even more important part of their rationing mechanism than they do under the half-controlled system now. Is this really what London's Labour councillors—and dignitaries like the Bishop of Southwark—want?

BOOKS

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Morale in the Civil Service

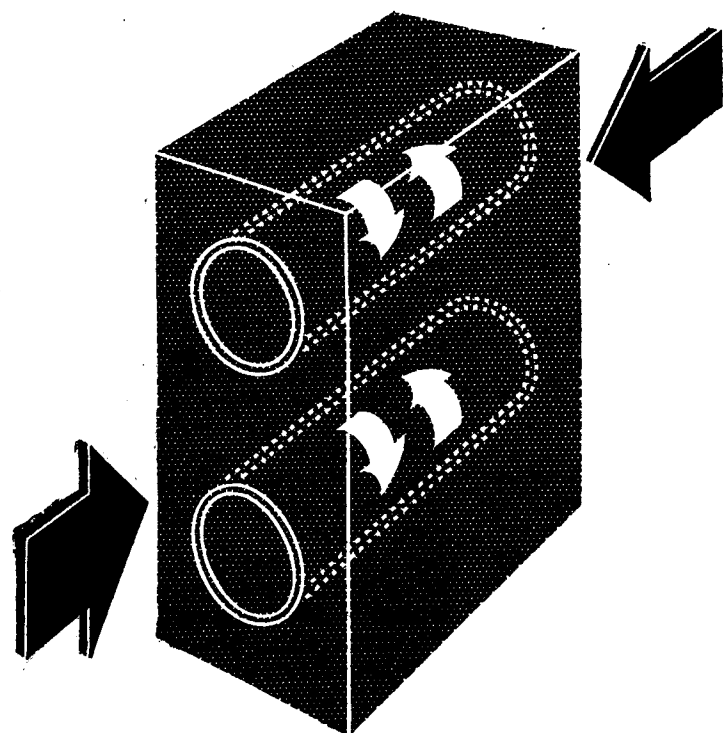
By Nigel Walker.

Edinburgh University Press. 311 pages. 30s.

THE Civil Service is a large institution and morale is a much studied question; it is therefore a surprise to find that Dr Walker is treading new ground. He appears to be the first person to have applied quantitative methods to the subject. The result, as one might expect, is interesting rather than revolutionary: much that one would have guessed from the start is confirmed, but there are one or two surprises. Dr Walker started by making a number of studies on the morale of one of the rare factory-style offices, which in due course will doubtless be superseded by machines: 1,600 clerical officers, divided into 100 identical sections, do identical work on the records of national insurance. Then, after a pilot test, he distributed a long question-

naire to the civil servants, from clerical assistant to assistant secretary (typists curiously and unfortunately omitted), in two Whitehall ministries, and to the corresponding employees of two London firms, both subsidiaries of the same company: the latter are used solely as controls.

It is impossible to summarise Dr Walker's book, and it would be wrong to try. Entering a new field, his purpose is not to prove a case, but to amass facts and to show the presence or absence of correlations over a wide field. As he himself points out, far more work is needed before many lessons can be drawn. The main one is that morale, in this context, is not a clearly defined concept and (as any civil servant would guess) that efficiency and job-satisfaction by no means always march hand in hand. One suspects that the word morale, with all that it implies, is misapplied to ministries. It is borrowed from the fighting services, where men not only work but also live together, with a highly (and intentionally) developed



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sense of group loyalty, either living in or preparing for circumstances in which each man's life depends on the co-operation of his fellows. Civil servants live peacefully at home, and many of Dr Walker's statistics show how little their social and emotional life depends on their office relations. They come during office hours to do work of which much is fairly monotonous; any attempt to arouse group enthusiasm for it would be self-defeating. But they adapt themselves to it, enjoy it more or less but usually rather passively, and do it honestly.

One or two points deserve special notice. A very good piece of analysis appears to destroy the myth, widely believed by civil servants and others, that many of them use their generous sick leave allowance as an extra holiday. All that can be detected is that the unenthusiastic and dissatisfied take a day or so longer to recover from minor illnesses. A surprisingly large percentage of civil servants would not recommend a friend to follow their career; this does not necessarily mean much, since the fruit in the orchard next door is always sweeter. Far more civil servants think that discipline is too lax than the contrary—and this is true even at the receiving end, in the lower ranks. There is some evidence that the civil service would tolerate more dismissal of the inefficient, though this is not wholly convincing, since people react differently to a general principle and to particular cases.

There is only one point where the questionnaire seems deficient: on the all-important subject of promotion. There was a question on the fairness of the system at large; but one missed the questions that would have drawn one of the most weighty distinctions: "What rank, if justice were done, do you think you should hold now; and what rank do you think you (a) ought to reach and (b) will in fact reach by the end of your career?"

The book is exceptionally well written, and is excellent reading to anyone who can bear with the subject at all.

Party Man

Chief Whip: *The Political Life and Times of Aretas Akers-Douglas, First Viscount Chilston.*

By Viscount Chilston.

Routledge. 383 pages. 45s.

CHIEF WHIPS tend to figure somewhat obscurely in political histories, but their involvement in that diverse, straggling organisation loosely called "the party machine" gives their papers a significance that is often greater than their contemporary influence. The importance of the papers of Herbert Gladstone, for example, is more considerable than might be suspected because of his intimate knowledge of the workings of the Liberal party machine and in his implication in the secret negotiations with the Unionist Free Traders—notably Winston Churchill and Lord Hugh Cecil—in 1903-04. Much is suspected, although little

positive evidence has yet emerged, about the activities of Tom Ellis, Liberal Chief Whip in the 1894-95 Rosebery Government, particularly in relation to the distribution of honours.

It is because Aretas Akers-Douglas occupied an exceptionally important and influential position in the inner councils of the Conservative party from 1886 to 1911—and particularly from 1886 to 1895, when he was Chief Whip—that his grandson's biography is something of a disappointment. "Most of his Whip's business," he writes, "was obviously transacted by word of mouth, partly because it was in keeping with his discreet and reticent nature to commit as little as possible to paper about the party's domestic affairs, and partly because he simply had not the time to write."

As a result, the reader is often led into accounts of important events with mounting interest and even excitement, only to discover that Akers-Douglas's papers do not materially affect, or even illuminate, the conventional accounts. The resignation of Lord Randolph Churchill, the Ministerial Crisis of 1903, and the accession of Bonar Law are three conspicuous examples of this. The fault is not the author's, but the sense of disappointment is nonetheless very real.

This is not to imply that Lord Chilston has wasted his time, or that his book is not of profound interest. Akers-Douglas's relations with Salisbury, W. H. Smith and Richard Middleton—the Chief Party Agent from 1883 to 1903—are particularly important, and much light is thrown upon the difficult and prolonged negotiations that resulted in the absorption of the Chamberlain-Hartington Liberal Unionists into the Conservative fold. It was characteristic that it was Lord Randolph Churchill—for whom Douglas had a great affection and admiration—who coined the phrase "the Unionist Party," and that it was Akers-Douglas and Middleton who had to undertake the delicate task of turning a bold vision into a political reality. Perhaps Akers-Douglas worked too diligently, since the alliance which he did so much to cement was the direct cause of the 1903 Tariff Reform crisis, which plunged the party into an unexpected controversy of mortal ferocity.

Akers-Douglas was almost the embodiment of the perfect Chief Whip, discreet, loyal, realistic, and not devoid of a certain ruthlessness. Lord Chilston's book is not a biography so much as a political study (one of the publishers' admirable *Studies in Political History*), but he tells us enough about Akers-Douglas to realise the force of Sandars's judgment that "he had an *esprit positif*, and the philosophy of politics was of no interest to him." He was, as Lord Chilston makes plain, "first and foremost a 'party man'," which probably explains his subsequent failure as First Commissioner of Works and Home Secretary. Indeed, his only memorable ministerial performance in the Commons was a disastrously ill-timed appeal to party loyalty at the height of the Tariff Reform storm, which contributed to the famous Division in February, 1904, when the Unionists split irretrievably.

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rather than a biography, Lord Chilton's book has the outstanding merits of careful scholarship and a vivacious style. Indeed, he is so successful in these respects that it would be unfair not to be candid about the few defects of his book. He gives the impression—at least to this reviewer—of a political bias that is sometimes irritating, and there are several statements which hint that his knowledge of the period is something less than profound. It is a questionable generalisation to say of English politics that in the 1880s "Party allegiance seemed to come even before patriotism: MPs were selected more for their obedience to the party line than for their disinterested devotion to the public interest." Apart from the sententiousness of this statement, it would be interesting to know what exactly was "the party line" in 1880, or, indeed, in 1885, when Chamberlain was enunciating the "unauthorised programme." It is true that after 1886 Home Rule was the dividing mark, but the Liberals of Rossendale still returned Hartington, although they supported Home Rule. The statement that Chamberlain's attitude to the Irish Question "was quite clearly the result of earnest reflection and deep conviction" is not one to which many students of the subject would subscribe.

But in spite of some minor qualifications, Lord Chilton's book is an important addition to the literature of English politics no less than of the fascinating political epoch which he so engagingly describes.

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BOOKS

The Fabian Society

The Story of Fabian Socialism

By Margaret Cole.

Heinemann. 381 pages. 30s.

ALTHOUGH both the title page and Mrs. Cole herself claim that this is a history of Fabian socialism, it is not. It is a history of the Fabian Society, or even of the successive inner groups within it, with little attempt to analyse either the distinctive features of the socialism developed by this curious institution or why it came to be adopted by the Labour party. That is not to say that the book was not worth writing, but simply that no one should be misled by its title. For the Fabian Society is a curious institution, and has changed surprisingly little from its early days to now: the inner group, which provides the drive and inspiration for a time and then becomes a dead hand; the second rank, who contribute a pamphlet or two but have no determining role; the hangers-on, who attend meetings and summer schools and who range from the earnest to the frivolous; and the recurrent rebels, who think something ought to be done about it all but seldom get their way.

The first forty years are, of course, the story of Shaw and the Webbs, culminating in the acceptance of "Labour and the New Social Order" in 1918. In the following years, with Shaw partly detached and Webb declining in Parliament, the society declined too (Mrs Cole is unfair here to F. W. Galton, who was less the cause than a symptom of the general *malaise*) and split until, on the eve of war, it was reunited by the brilliant group of young men that included Hugh Gaitskell and Evan Durbin. But the efflorescence that followed barely survived the war, and in spite of a great deal of hard work by a number of people, the society today is but a shadow of what it was fifteen years ago.

Why? Mrs Cole does not tell us, and her chapters on this latest age are the least satisfactory part of the book. From quite early times, the Fabian Society has never been quite sure whether its main purpose is thought and research or propaganda (disguised as "participation") among the more intellectual Labour supporters. It has thus fallen between two stools; too much energy has gone into organising schools and meetings, which become rather frivolous social gatherings and make no contribution to thinking. A consequence of the search for wide membership is that control (thoroughly democratic, of course) passes into the hands of people well enough known for other reasons to get elected to office, without having the time to do their job properly. Meanwhile the rump of the wartime leadership has reached its own dead hand stage, just as happened with earlier inner groups. Mrs Cole's own view of the work done by some of her later contemporaries is at least selective and at times distinctly odd. For proof, look at the index of persons to see how many

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of the active Fabians of these later years rate more than a passing mention—or even a mention at all.

Unequal Giving

The Charities of Rural England, 1480-1660

By W. K. Jordan.

Allen and Unwin. 484 pages. 50s.

THIS is the third volume in the trilogy written by Professor Jordan on the scale and purposes of charitable giving in the early modern period. After a volume of general conclusions there followed one on London, and now a third on three selected rural areas, Buckinghamshire, Norfolk and Yorkshire. As reviewers of the earlier volumes have already pointed out, despite the erudition that lies behind it, and the enormous interest and importance of its conclusions, the work nevertheless has one serious weakness. This is a major statistical error—the complete ignoring of the secular rise in prices—which is sufficient to nullify most of the hypothetical increase in giving in the early seventeenth century, the postulated result of the spread of puritanism. Indeed when account is taken of the rise in population and the increase of real wealth per head, the rise disappears altogether, and with it some of the basic conclusions of the whole work.

This study of rural charity is mainly composed of a dense array of facts about some 13,000 individual benefactions; it will provide an invaluable quarry for subsequent historians in almost every field of inquiry. The most revolutionary of Professor Jordan's discoveries is the extreme inequality in the distribution of charitable resources from one parish to another, an equality that created "areas of opportunity" cheek by jowl with "blighted areas." The prospects of obtaining education, apprenticeship training, a capital loan to start up a business, poor relief in hard times, and an almshouse in old age depended entirely on the accident of place of birth. Geographical inequality of opportunity was thus built into the English social system by the random distribution of private charitable endowment. Lastly, Professor Jordan has some very interesting things to say about Yorkshire. He shows the stubborn adherence of the northern gentry to Roman Catholic beliefs and masses for the dead right through the 1530s and 1540s, evidence that fits in well with the armed resistance to the Henrician Reformation. Even more remarkable was the explosion of school building: in 1480 Yorkshire possessed only six functioning grammar schools; in 1660 it had 106 schools with adequate endowments, and another 38 that lived from hand to mouth. Here is a revolution whose consequences, as Professor Jordan rightly says, it is impossible to overestimate. The whole quality of life in the north was transformed by this sudden proliferation of educational facilities.

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Despite its somewhat intemperate language and its one statistical flaw, this is a great work of scholarship, in which massive research and a shrewd eye for the significant questions have thrown a flood of new light upon almost every facet of English society and government under the Tudors and early Stuarts.

Missionary Sociology

An Introduction to Religious Sociology

By F. Boulard. Translated by M. J. Jackson. Darton, Longman and Todd. 194 pages. 21s.

"MODERN capitalism," said Keynes, "is utterly irreligious." The aim of Canon Boulard and other Roman Catholic sociologists is to harness the techniques of social research for a missionary policy that will prove this statement false.

This should be an interesting experiment in France, where traditional peasant life still flourishes within the framework of a highly industrialised country. The intermixture is more complex than often supposed. One of Canon Boulard's themes is "dechristianisation" and with the aid of religious maps of France (based on church attendance) he shows that this has been going on for centuries, in some cases before true industrialism began. In the eighteenth century the lead in anti-clericalism was taken by the bourgeoisie; today it is concentrated among the urban industrial workers of the large towns. While the picture is not quite regular—for example the rural area around Paris is by no means the most "dechristianised"—Canon Boulard comes to the conclusion that today social influences are coming to be dominant. "When a factory is built in a region of strong religious practice," he says, "it introduces a tendency to religious indifference."

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BOOKS

The main argument of the book is that the church must genuinely recognise industrial society as a "new civilisation" where men must live in many separate groups, at their work and in their leisure, each with its own social and cultural values. The task of the church, the author suggests, evidently with an eye on such things as the sense of class solidarity of the organised workers, is "to take over that which is authentic in these values... and to baptise it." In effect the author urges the church in France to move away from the traditional life of the past and to accept that of the present.

It is significant to see a Roman Catholic writer argue that the clergy should conduct social surveys in their own parishes. However, while Canon Boulard highlights in this book the problem of re-creating a religious framework in a fast changing industrial society, he is more vague about the actual steps to be taken to achieve this. The problem may indeed prove large, even for Mother Church.

The Stream of Events

A History of England

By John Thorn, Roger Lockyer and David Smith.

Benn. 600 pages. 25s.

IF the teaching of history in England has never been flagrantly biased, it has not always been free of ideological slant, from the jingoism of Arthur Mee to the more subtle idea of inevitable progress towards political liberty and responsibility—a steady advance from Magna Carta to universal suffrage, via the Glorious Revolution and the Reform Bill. Now that increasing numbers of children are staying longer at school and reaching grammar school standard, both what is taught as history, and how it is taught, is of great importance.

The three authors of this new history of England have high qualifications, and have produced a brilliant comprehensive survey from pre-history to 1945. It is directed at fifth and sixth forms ("O" and "A" level), but could be used as a reference book by anyone. It is divided into three sections, each with a different author, and thus avoids the weakness of one man trying to master the details of four thousand years. It also becomes in a sense more detached, because one point of view cannot dominate the whole. Its chief virtue is, however, that it embodies the results of the extensive research which in the last thirty years has revolutionised many of the accepted theories of English development. If used in schools, this book will go a long way towards killing the rather archaic theories that linger in some of the best of them. It has an excellent bibliography for further reading.

The more adult reader and university entrant will find it necessary to supplement the text with wider reading. In their desire to present the essential stream of events with accuracy and brevity, the authors have avoided discussion of the really interesting

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issues. Some questions, such as the restoration of royal authority after the Wars of the Roses, are answered by implication, in this instance by beginning a new chapter with the return of Edward IV in 1471; others, such as the real nature of the opposition to the Stuarts, are submerged beneath the speed of the narrative. It is in the last section that the immense difficulties of the task become apparent. Although the narrative is carried through to the end of the second world war, the forces and pressure groups behind contemporary society are not described. The communist revolution in Russia is only briefly mentioned, and the theories lying behind it not at all. Reading the book, excellent as it is, makes one feel that, without a discussion of the ideas and theories behind modern politics, the facts will tend to become meaningless; and that the only valid history of contemporary events is world history.

Unsympathetic Portrait

Fathers of the Victorians

By Ford K. Brown.

Cambridge University Press. 569 pages. 55s.

OLD Tom Mozley once wrote a book of reminiscences about his youth at Oxford, gossipy, veracious, inconsequent, with so much to say that he was tedious and with so low a view of human nature that he was unattractive. His critics knew him as Poor Tom.

The author of "Fathers of the Victorians" does not delight in the anecdote of the common room, but something of the same sensation affects the reader. The book is about the Evangelicals in the age of William Wilberforce; and Mr Brown claims that they were responsible for changing the moral face of England, from the age of George IV to the age of Queen Victoria. Though he assents to the view that they were selfless and dedicated, he likes neither them nor their methods. Something is lacking in this portrait of the age of Wilberforce—a sympathy without which there is little understanding. Mrs Hannah More, that godly and decisive lady, is presented as though she were the field commander of an evangelical force, planning and scheming, flattering and directing; and even those who would shrink from Mrs More's company will probably not recognise the lady in this portrait and will not comprehend her if they believe it. When some of the judgments in the book are examined critically, they are more abuse than history, an expression of emotion and not the cool verdict of the serious enquirer.

Wilberforce was not only an enthusiast for a great religious and social cause—the abolition of slavery. He was a lovable, delightful, amusing and sympathetic man, as everyone who knew him intimately is agreed. He was respected not only by the like-minded, but also by a critic like Sydney Smith, who thought the Society for the

Some advice on letter writing from the Emperor Trajan

The Emperor Trajan (A.D. 53-117) was, as any early Roman schoolboy knew, a man of taste. It showed in everything he did, winning the respect of a people not unfamiliar with perfection. For those of us who have followed, his greatest legacy perhaps lies in a few lines of lettering neatly chiselled in a simple stone tablet.

Trajan was well aware that the only reason for writing anything was to have it read. His deceptively simple idea was to design each letter in all due proportion, providing as much space as it needed to look beautiful and inviting as well as legible. He succeeded so well that the Trajan inscription is given ample credit for the triumph of the Latin alphabet as the medium of written communication for so much of the world.

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Open letter to the Delegates, the Clarendon Press, publishers of the Oxford English Dictionary.

DEAR SIRs,

We find the Oxford English Dictionary an invaluable work of reference in the compilation of our advertisements, and we make frequent use of it. We trust, therefore, that you will excuse us if we draw your attention to a serious omission in Vol. XII V-Z, Section Wh, page 70. We notice that on that page your editors include a reference—WHITBRE(A) D: see WHITE BREAD. On looking up WHITE BREAD we find this definition—"Bread of a light colour, made from fine wheaten flour, as distinguished from BROWN BREAD." No reference at all is made to the common, indeed the universal, meaning that attaches to the word Whitbread today, viz: the truly excellent drink that bears the name. To assist your editors in their task of revision, here is a suitable definition:—

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Suppression of Vice to be absurd. Concentrating upon questions that crossed the lines of party, he was able to stand aside from the roughness and the compromise of political controversy and retain the ability to deliver moral judgments without pretentiousness and without insincerity. The triumphant second reading of the abolition bill in 1807, when the House of Commons gave him such an ovation as it had given to no other living man, showed how his moral stature symbolised the reviving respect of the nation for integrity and nobility of character. His religion had the exclusive note of its kind—the sometimes repellent language, the lofty platitudes, the sectarian sound. Simeon's religious language could be equally repellent to the taste of a later age. His endeavours for what he saw to be Christian truth might sometimes be unfortunate. But if the sounds, the apparent pomposity, the callow earnestness are taken to be the chief evidence for understanding their persons, their achievements and their religion, we shall find ourselves in the paradox, towards which Mr Brown leads us, of supposing that they succeeded in an astonishing work of reforming the manners of the nation by being unscrupulous, petty, intriguing or pharisaical.

The Victorians were too full-blooded to be begotten by the tail-coated puppets dangling stiffly in these pages.

Lawlessness

The Bootleggers

By Kenneth Allsop.

Hutchinson. 379 pages. 30s.

Kidnap: The Story of the Lindbergh Case

By George Waller.

Hamish Hamilton. 594 pages. 30s.

"MULTIPLY the laws; you will multiply lawyers and criminals," said the ancient Roman jurist. Prohibition in the United States was perhaps the best example of lawlessness stimulated by laws. The level of taxes in Britain—and a few other countries—since the war is proving that human nature is everywhere much the same: if the state tries to make it too "good" too quickly and dearly, it breaks the state's laws. No story tells that tale better than that of the Chicagoan bootleggers, and Mr Allsop on the whole does it skilfully and fully. Indeed, European readers will be confused by the number of different names and personalities involved before they are halfway through.

But the book has two faults. The author has nothing to add to knowledge of what produced these fantastic gangsters and their dominions, private armies, and so on. A generation ago all that he adduces about the first and second generation "Americans" was available. Secondly, he makes Chicago of that era sound as if every citizen were every day aware of what was going on around, about and below him. In fact (unless he maintained private relations with a

BOOKS

bootlegger for his liquor, as very few did) the ordinary Chicagoan, going into a speak-easy and saying "I'm a friend of Joe's," had no knowledge of gangs and their methods whatever. For 99.9 per cent of the citizens' life was regular and peaceful: births, marriages, jobs and homes, hobbies and vacations, filled that life in peace. No one heard a pistol shot. No one knew of the St Valentine's Day massacre till the papers came out. Life was as peaceful as life in the coshing, car-getaway, cash-grabbing streets of London today—indeed, more peaceful. That no more excuses the citizenry and city fathers of Chicago then than it does those of London now. They can read their papers, and can presumably do something about lawlessness. But they did not do so in Chicago then; and they do not in London now. It just does not seem to be the citizen's business. Why, the author does not adequately explore.

He makes a minor error in emphasising the cut in new immigrants into America after the second world war; by far the bigger cut came after 1926-29, and throughout the thirties up to the war's outbreak; and, proportionately, for special reasons and by special quotas, immigration was bigger after that war than before it.

The book about the notorious kidnapping of the Lindbergh baby is also a tale fully told. Unhappily Mr Waller does not tell his tale so stylishly as Mr Allsop tells his. Lack of style palls quicker, the longer the book; and this is long. But both these books repay careful study by Europeans—and others than North and South Americans—at this time. Only Russians, Chinese and other so-called Communists seem rigorous in enforcing the rule of (their variety of) law these days. Do they value the bonds and cemented foundations of their society more than we value ours? Both these books gain by looking back at a "rule of lawlessness" that was a shadow of what was to come throughout the western world.

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LYDD GEORGE: Rise and Fall. By A. J. P. Taylor. Cambridge University Press. 40 pages. 3s. 6d. A reprint of the Leslie Stephen lecture given at Cambridge in April, 1961.

PEASANTS IN THE PACIFIC: A Study of Fiji Indian Rural Society. By A. C. Mayer. Routledge. 210 pages. 35s.

THE COMMON MARKET: Its Structure and Purpose. By J. F. Deniau. 2nd edition. Barrie & Rockliff with Pall Mall Press. 151 pages. 15s.

MALTA: Background for Development. By H. Bowen-Jones, J. C. Dewdney and W. B. Fisher. University of Durham. 356 pages. 42s.

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ILLUSTRATED PAMPHLET

FROM
DIARY DEPT., THE ECONOMIST
22 RYDER ST., LONDON, SW1
Whitehall 1511

LETTERS

West Indies and Europe

SIR—It must surely be gratifying to the African states to note the interest you take in their problems in relation to the European Economic Community. Could you, I wonder, spare a thought for the West Indian territories, who may no longer be important to anyone but themselves, but who nevertheless have genuine problems to face and, as yet, are not in a position to speak for themselves?

In your article "Eurafrica and Their Africa" (November 25th), you state, quite rightly, "The African Commonwealth countries cannot afford to leave it to the British, the European commission and the United States to fight their battles." Can the West Indies afford to? Ought Trinidad and Tobago, for example, to rest secure in the hope that others will ensure that its oil products will continue to have unrestricted access to the markets of Europe? That its exports of citrus, sugar, cocoa, bananas and coffee, however insignificant they may now appear in terms of total European trade, will be safeguarded? That the difficulties which, even now, it experiences in selling the products of its small manufacturing industries will not be aggravated?

You urge the Nigerians to establish diplomatic representation in Brussels so that they could be quickly drawn into the Euro-African discussions. This is, no doubt, a course which other underdeveloped countries could usefully adopt; but it would not normally be available to those that are not yet independent. Could not the community dispense with the niceties of protocol and diplomatic custom and permit all those underdeveloped countries that wished to do so to appear before its appropriate institutions in order to present and discuss their particular problems? Trinidad and Tobago would gladly avail itself of the opportunity.

—Yours faithfully, J. O'NEIL LEWIS
Special Representative of the
Government of Trinidad and
Tobago
Geneva

Dr Salazar

SIR—It was with deep regret that I read in your issue of November 18th your condemnation of the Prime Minister of Portugal.

In an endeavour to redress the injustice I cannot do better than quote a passage in which he discloses his thoughts and principles. In a speech delivered on April 14, 1937, he declared:—

Without losing sight of activities which may provide for all a greater amount of goods, and with them greater material comfort, the ideal is to escape from the materialism of today; to make the fields more fertile, without silencing therein the merry song of the girls; to weave cotton

or wool in the most modern looms, without interlacing with the thread class-hatred and without banishing from the factory or the workshop our old patriarchal spirit. . . . From a civilisation which is returning to the jungle, we are separated by spirituality. We shun feeding the poor with illusions, but we want at all costs to preserve from the wave that is rising in the world the simplicity of life, the purity of customs, the sweetness of feelings, the equilibrium of social reactions, this familiar air, humble but dignified, of Portuguese life, and, through these conquests or re-conquests of our traditions, to preserve social peace.

—Yours faithfully, PAUL DE HEVESY
Former Hungarian Minister to Portugal
Hove, Sussex

The Most Acute Case

SIR—Your article on the "Report on the Scottish Economy" makes fascinating reading. Insofar as they refer to obsolescent, dying industries, its findings and your comments are almost certainly right. But there are some non-growth industries whose survival must surely be important. The "large quantity standard" industries themselves depend heavily on some of them—on the larger ones for their power houses and machines; on the smaller ones for their general engineering jobbing work, tooling etc.

Our experience is that the dynamic new industries effectively damage the "small quantity specialised" industries in their area, by draining them of their labour. What will happen if only the "assembly-line mass producers" are left? Will they learn how to make their own machines and how to do their own jobbing work economically? Who will build the ships and bridges that they and the rest of us need?

One can only hope that somehow a balance will be struck while these essential non-growth firms retain some of their skilled, loyal and comparatively much-underpaid workers—Yours faithfully,
Birmingham, 17 A. I. POTTINGER

Vietnam

SIR—As you say (November 18th) the floods in the Mekong valley have caused much suffering, and help from outside, especially nearby Asian countries, is desirable. Why then have the south Vietnam authorities refused the offer of the government in north Vietnam of 10,000 tons of rice, 1 million metres of cloth and 5 tons of medicines, when these could have been delivered quicker than from anywhere?

Secondly, does not the arrival in south Vietnam of a further 600 US military instructors, bombers, reconnaissance jets, etc., which you report, constitute a breach of the 1954 Geneva Agreement which forbids such foreign military intervention and supplies?

THE ECONOMIST DECEMBER 9, 1961

This last is the sort of incident which led to the recent protests from the Government of the Democratic Republic of Vietnam to the British Foreign Secretary (as co-chairman of the Geneva Conference) which though circulated have not been noted in the British press.—Yours faithfully,

HILDA VERNON
British-Vietnam Committee
London, NW8

Export Incentives

SIR—Under the above heading you say that there is a case for allowing manufacturers themselves to write off assets at the rate they choose. It is to be supposed that in one direction at least the authorities have already recognised this fact. I refer to the developing practice of leasing plant and equipment, a practice which has so far largely escaped the attention of the Revenue. A manufacturer who obtains the use of plant by renting it effectively writes it off over the period that he rents it. If he buys it he can only write it off at the rate agreed by the tax authorities. Admittedly the manufacturer has to pay for the cost of the money needed to finance the hiring but the quicker write off period often makes this a worthwhile expense. The Revenue is a net loser on such transactions because rent payments are a legitimate business expense and deductible for tax purposes. For the time being at least it would seem that the authorities are prepared to accept this.—Yours faithfully,
A. P. PRINGLE
London, SW10

Socialist Unity

SIR—I am writing to call your attention to an incorrect statement in the article "Pink Clydeside" in your issue of November 25th.

The Socialist Party of Great Britain did not take part in discussions with the organisations named in the article and has never done so, as the constitution of the SPGB precludes collaboration with other political organisations in the country, to all of which the SPGB is opposed.—Yours faithfully,
ROSE WEAVER,
General Secretary SPGB

London, SW4

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THE ECONOMIST DECEMBER 9, 1961

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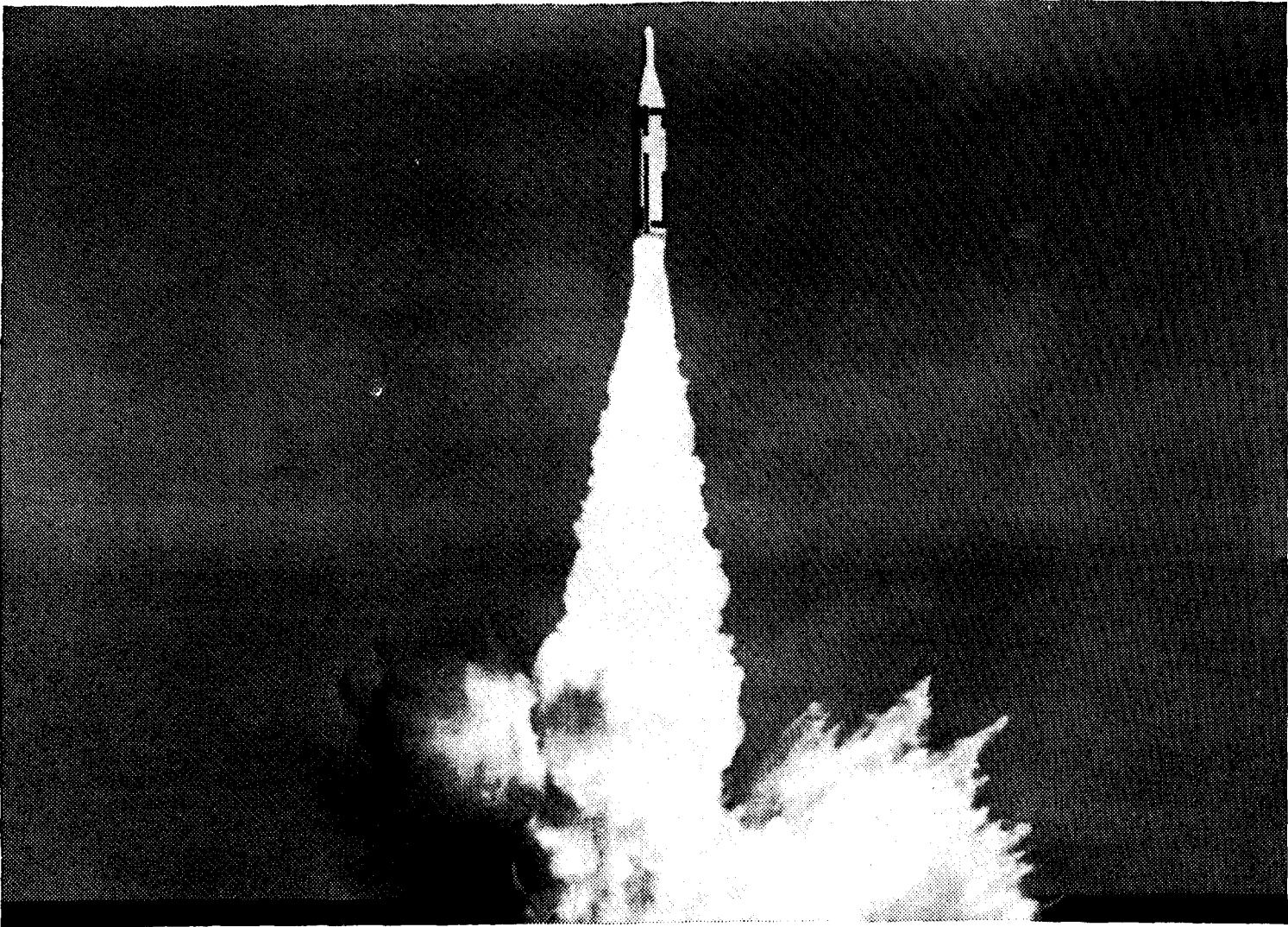
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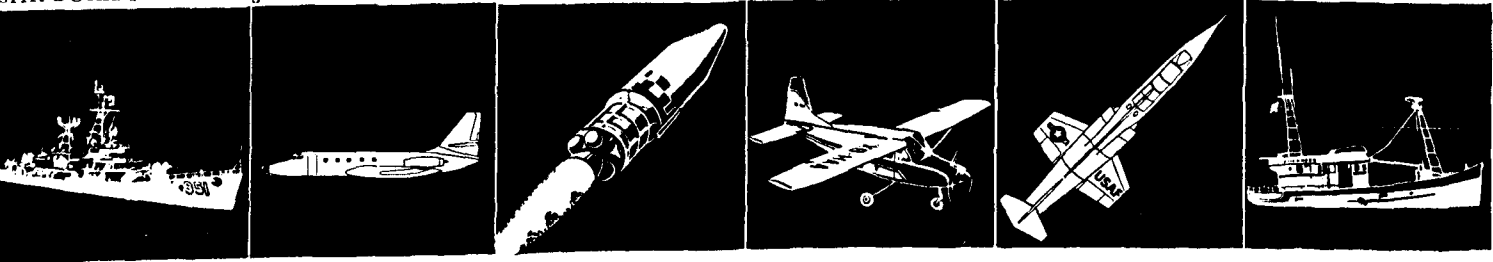


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AMERICAN SURVEY

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.

Trading Hopes and Fears

THIS week President Kennedy stepped up the American export drive. Firms which have contributed significantly to expanded exports will be entitled to fly a flag with a blue E on a white field. This is the flag which once flew over factories that made records in war production; then the E stood for Excellence. Firms awarded an E will be permitted to advertise the fact and to give their workers E pins to wear. Mr Kennedy calls an increase in exports "the next great frontier we must cross." In a speech that reflected American hopes and fears he told the National Association of Manufacturers in New York on Wednesday that America's favourable trade balance had to be enlarged further to help to finance America's responsibilities abroad, mainly troops and military bases. Like his predecessors, President Kennedy regards trade primarily as an instrument of foreign policy. He wishes to replace the Reciprocal Trade Agreements Act with an improved instrument to prise open for the United States and other countries what he called the vast new market rising across the Atlantic which, if Britain joins it, will have more people in it than either the United States or Russia. America's export drive is somehow to be made to coincide with the political and economic strengthening of a western Europe into which Germany will be inextricably tied, and with a general liberalisation of trade in the free world.

The United States views the European Economic Community with mingled pride and apprehension, like the character in the novel of H. G. Wells who reared a giant offspring on the food of the gods. Pride predominates. Most Americans rejoice in Europe's new-found unity and strength, for which they as a nation can take much of the credit. Some, like Mr Walter Lippmann, come close to advocating a complete pooling of resources by the United States and Europe, the better to carry out their joint task of raising living standards in backward parts of the world. Others see in a strong united Europe an essential counterweight to Russia. But there are warnings that a trade war may divide the West and fears that bargaining for lower tariffs between the United States and the European common market may rob Americans of jobs.

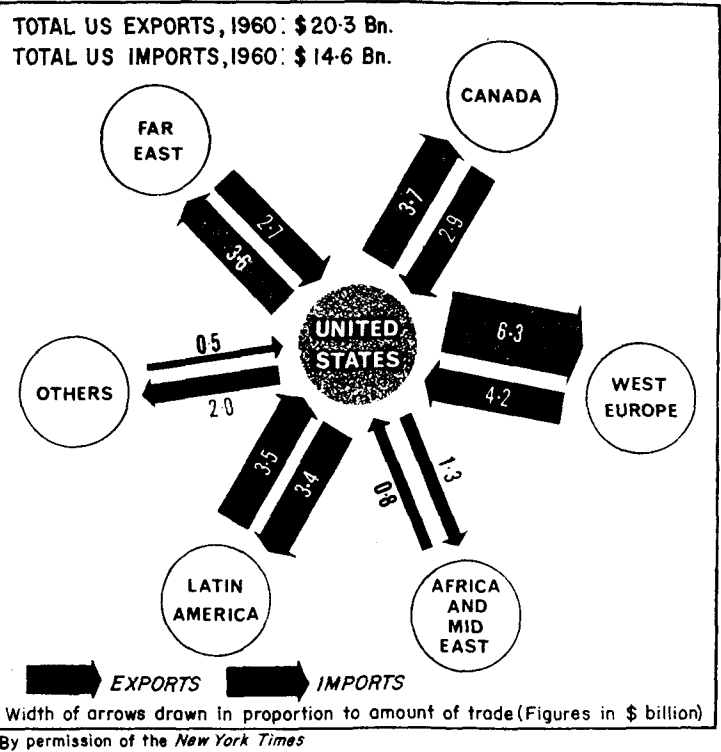
The President said that America was urging its allies to free their private capital for investment in the United States but that he wanted Congress to remove, for American firms in those foreign countries which have no shortage of capital, the "artificial" tax preference

allowed for investment abroad, as well as the "unjustifiable" tax loopholes available to Americans in foreign "tax havens" — preferences and loopholes that the head of the trade union movement has condemned as "outrageous." But Mr Kennedy also told the NAM that he was proposing neither that America should join the common market nor that the "traditional safeguards and institutions" should be done away with altogether. The latter probably include continued protection for the American textile industry. The President said that tariffs could be used to cushion adjustments by American industries to increased imports and promised other forms of help from the federal government for those afflicted. But he assured his hearers that under his new trade policy imports would not increase as much as exports. One of his associates said this week that the adjustments which domestic industries would have to make to increased imports would be "rather marginal" and anyhow not nearly as great as industries have to make because of changes in consumers' tastes, technological advances and so forth. One cheery estimate, submitted to a Senate committee last June, is that less than one per cent of the labour force would lose jobs if America suspended all tariffs for three years. Whether such arguments will carry conviction among sceptics about freer trade remains to be seen.

President Kennedy has said that those who recognise the benefits of freer trade should speak as loudly as those who fear that freer trade will hurt them. This would call for a considerable number of decibels, for the protectionists in the United States can howl very loudly indeed. The Reciprocal Trade Agreements Act, which gives the executive the authority to bargain with foreign countries for lower tariffs, has been renewed eleven times since it was passed

in 1934. In those twenty-seven years periodic legislative battles over its renewal have become an American ritual. But, though the Act has brought down the general level of American tariffs by about 60 per cent, of late the tussles in Congress have tended towards stalemate, with the President's authority to lower tariffs being renewed grudgingly but limited by "peril points" and "escape clauses." For the past ten years tariff negotiations have brought no really major changes.

If the Trade Agreements Act expires next June without being either renewed or replaced, the tariff reductions negotiated since 1934 will not be nullified thereby, but the President will have no authority to negotiate any further reductions. The peril points and the escape clause would remain and legally the escape clause



could be used to cancel any past trade concession deemed by the Tariff Commission to have increased imports to an extent injurious to American producers. A current proposal of the protectionists would deprive the President of his power to veto recommendations by the Tariff Commission.

As renewed in 1958 the Act authorised the President to reduce tariffs only by as much as five per cent a year, for four years, and compelled him to negotiate separately for each item. The President's personal assistant on trade policy, Mr Howard Petersen, who is a Philadelphian banker and a Republican, wants tariff negotiations with Europe to be on an across-the-board basis. He recommended "substantial, gradual and general" reduction of tariffs and other trade barriers by all the economically advanced countries of the non-communist world, with the benefits of the reductions being made available to the under-developed countries. But the cool expectation in Washington is that 1962 will see only the beginning of the necessary task of educating the public in the need for a bolder and broader trade policy, not the real beginning of the policy itself.

This does not mean that history will necessarily be repeated and that the proposed across-the-board method of tariff reduction will have to be abandoned in the face of hard domestic realities, as happened in 1945 when another Democratic Administration endeavoured to do away with imperial preference and to open up the British Empire to United States commerce in return for just such a change in American methods of tariff bargaining. But a very hard fight seems likely in Congress, complicated by the fact that 1962 is a congressional election year; moreover, Mr Kennedy will not have the strong arm of the late Mr Rayburn, the Speaker of the House, to lean on in winning over the southern Democrats, who are nowadays as solicitous for domestic textile manufacturers as they are for American cotton growers.

Businessmen are divided on the subject of tariff reductions and accordingly have two committees which espouse opposing views. The Committee for a National Trade Policy advocates freer trade and has already called for new legislation in 1962, to enable the President to remove some tariffs altogether and to cut others by at least 50 per cent; this committee wants elimination of the protectionists' cherished peril point provision and assistance for industries hurt by imports, to help them to adjust to the new situation, perhaps by shifting into other lines of business. The Trade Agreements Act never envisaged a need for domestic industries to adjust themselves to imports by switching to new enterprises and the protectionists, who include makers of fabricated metal products, industrial chemicals, glass, pottery, bicycles, cord and twine, electronic equipment, toys and sports goods, are declaring that what they want is not new-fangled financial help to enable them to commit suicide with the least discomfort, but old-fashioned protection to enable them to survive.

The other committee is the nation-wide Committee on Import-Export Trade whose chairman, Mr Strackbein, last week told a congressional sub-committee that "the export dollar runs a poor second to the import dollar in terms of employment." This is an argument which the Administration may find hard to counter—harder certainly than to dispose of Senator Goldwater's allegation that President Kennedy is planning the entry of the United States into the European common market and that this will bring an influx of European workers who will snatch jobs from Americans already damaged by a flight of American capital to Europe.

Freer trade has the support of Mr Meany, the president of the trade union federation—but at a stiff price. He wants workers who are displaced from their jobs by imports to receive two-thirds of their normal wage for a year while being retrained for new work at government expense and to have the right to retire at sixty with full social security benefits. It is amid such cross-currents of conflicting views and interests that Mr Kennedy's battle for a new trade policy will be fought.

Red Letter Days

LAST week the restless ghost of Senator McCarran put the Communist party in the dock, for failing to register as a "communist-action" organisation. It is required to do so under his Internal Security Act of 1950, whose constitutionality was upheld by the Supreme Court, in a 5 to 4 decision, last June. The purpose of the Act, which was passed during the Korean war and the McCarthyite hysteria, was to drag the party and its "front" organisations into the light of day by making them list their members, officers, contributors and printers, reveal their financial operations and stamp everything they sent through the post as communist-originated. Many individuals and organisations are required to register in the United States, but this is the kind of registration that is designed to kill, like that required of Negro organisations in some southern states.

It has taken eleven years to bring this steamroller into position. First the Subversive Activities Control Board which the Act created had to find, to the satisfaction of the courts, that the party was a foreign-controlled "communist-action" organisation; then the Act itself had to survive a challenge in the courts. Meanwhile membership in the party, which was put at 75,000 during the second world war, has dwindled to about 3,000 or less. The deadline fixed for the registration of the party was November 20th. When it formally notified the government by letter that it refused to obey, its officers became liable to register by November 30th; if they, in turn, continue to refuse to comply, on December 20th the responsibility devolves upon individual members. So far only the party itself is being prosecuted; further action by the Department of Justice is complicated because the party has cut the number of its officers to three; one of these, the chairman, Miss Flynn, now 71, has just returned to the United States to face the music. If the party is convicted it may be fined \$10,000 for each day of non-registration. Its officers and members face the same penalty, as well as five years in prison for each day of non-compliance.

But the Communist party is not necessarily at the end of the road. The Supreme Court has not yet dealt with the chief objection to the Act: that to identify one's self as a communist amounts to self-incrimination. This is because another law, the Smith Act, makes membership in the party a crime if the member is aware of its subversive character. The party also argues with some force that the Constitution forbids "cruel and unusual" punishments such as the fines and prison sentences prescribed by the Act. Certain of its other provisions are also of doubtful constitutionality, such as the denial of passports to every member of the party. The Department of Justice, under the fierce glare of the fanatically anti-communist groups that flourish at present, has moved with all speed to enforce the Act. But constitutional questions affecting the civil liberties of all cannot be decided in a hurry.

Bait for Hot Money

FROM January 1st commercial banks will be able to raise from 3 per cent to 3½ per cent the interest they pay on all savings accounts and on time deposits left with them for from six months to a year and they will be able to pay up to 4 per cent on longer-term deposits. The government's decision to raise the ceiling and permit a special premium for long-term deposits was prompted primarily by a desire to discourage an outflow of "hot money" and to avoid the damage that this would inflict on the balance of international payments. At the same time the government hopes, by keeping credit readily available, to avoid any check to economic growth at home. The New York banks—the ones most likely to hold foreign deposits—welcome the move. The Chase Manhattan



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Bank, the second largest in the country, has already announced that it will raise its interest rate on savings to 3½ per cent on January 1st; for state-chartered banks such as Chase any action on time deposits must await a rise in the ceiling set by the state authorities. Banks in New York have long been chafing under the 3 per cent rule which has made it difficult for them to compete with the money market for funds when rates rise there. Recently, these banks have been suffering a drain on their certificates of deposit, negotiable interest-bearing evidences of time deposits which they issue as a means of attracting the idle funds of corporations.

Interest rates in the money market are already stiffening; although the central bank, out of consideration for the Treasury, exempted short-term deposits (less than six months) from its new rule, the return on Treasury bills has edged higher. The lending rates of the banks, both on mortgages and loans to business, are bound to rise gradually because of the pressure of the new interest rates on their profits. And the fact that the banks are in a position to attract fresh corporate funds with their certificates of deposit means that the supply of money in the open market will be reduced, leading to higher rates there when the demand for loans rises.

The banks which are not enthusiastic about the new higher rates of interest that they may pay are those with heavy savings deposits, such as the Bank of America. The squeeze on their profits will be particularly painful. And although one of the domestic considerations which led the central bank to authorise the higher rates was that it would enable the banks to compete with the higher rates offered by the savings and loan associations (America's building societies) this argument has not carried conviction because there is nothing to prevent the associations from lifting their rates still higher. But as interest rates in general are rising the Treasury and the central bank are confident that their move will attract foreign funds and encourage the domestic saving needed to finance economic progress in the years ahead.

Disorganised Labour

FROM A SPECIAL CORRESPONDENT

ONE of the most burning, and potentially divisive, arguments at the biennial convention of the American Federation of Labour and Congress of Industrial Organisations, which begins in Florida this week, will be over the question of organising workers into trade unions. The question has two facets: how can more members be obtained and which union should they join? According to one expert, “the cessation of the trade union movement's expansion into new areas and its decline in numerical strength” constitutes a crisis, while others have declared that the movement cannot grow until it settles the internal bickering between the craft unions, which belonged to the old AFL, and the industrial unions, which were the backbone of the CIO, about their respective jurisdictions over different types of worker.

While in 1960, from the official figures just published, trade union membership, at 17,049,000, was slightly larger than in 1955, the year in which the AFL and CIO, the two main union groups, were merged, membership has in fact fallen by over 400,000 since 1956 during a period when the labour force has been rising steadily. With just under 40 per cent of non-farm, non-supervisory workers belonging to trade unions there is clearly room for improvement. While restrictive legislation—state right-to-work laws and the federal Taft-Hartley Act—puts obstacles in the way of expansion, the main difficulty is the changing structure of the American economy and its effect on the pattern of the labour force.

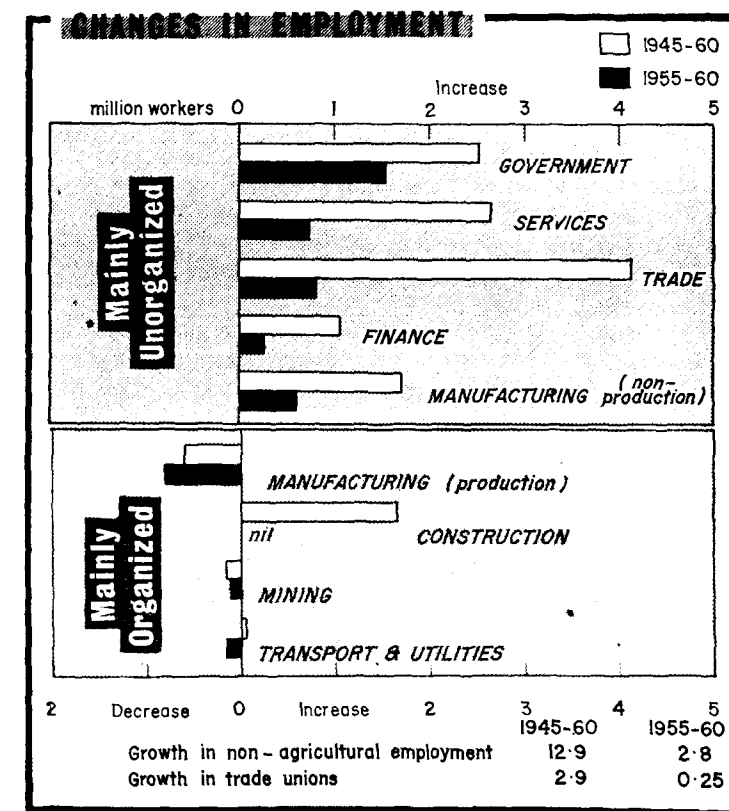
Between 1955 and 1960 total employment in manufacturing in the United States declined by approximately 225,000 jobs while in non-manufacturing there was a rise of 2,840,000, accounted for mainly by large increases in employment in government, retail

trade and service industries. Even the figure for manufacturing disguises a much more serious situation—from the union point of view—for the numbers working on production lines declined in the period by 796,000 while those in white-collar occupations in the factories increased by 571,000; historically, production workers in manufacturing have been the ones to be organised most successfully into unions. The increase in white-collar employment presents the unions with many new problems which cannot be solved by using methods that are fast becoming out of date.

Most unionists agree that a fresh and concerted effort is needed in the white-collar field but they disagree as to who should make it. Some say that in those plants where the production workers are well organised it is the logical procedure for the industrial union to which they belong to try to bring the professional, technical and clerical workers into its fold. On the other hand, the established white-collar unions maintain that the organisation of such workers is their prerogative. But jurisdictional squabbles are by no means limited to arguments over white-collar workers; a public controversy has also developed over the question of what is the correct affiliation for the maintenance workers in factories.

Mr Walter Reuther, head of the automobile workers and of the Industrial Union Department of the AFL-CIO, to which most of the original CIO unions are affiliated, has prefaced the Florida convention with a scathing attack on the building unions which formed the nucleus of the old AFL. At a meeting at which was drafted a series of resolutions directed against the craft unions, Mr Reuther told the delegates that there must be agreement this year on effective machinery to solve internal disputes. He made the point that, although the trade unions were merged in 1955, they were not united at the same time and that continued disunity “would jeopardise the very existence of the American labour movement.”

This long-standing jurisdictional conflict means that AFL-CIO unions boycott the products of other AFL-CIO unions and try to steal each other's members. The particular case which prompted Mr Reuther to speak for 97 minutes on the need for unity is that in the recent past there have been many occasions on which the unions in the building trades—where, incidentally, employment



has not fallen off as it has in the other organised industries—have encroached upon jurisdictional territory that the industrial unions consider sacred to themselves. Local building unions have been joining with groups of employers to try to secure jurisdictional rights over maintenance work. For example, an independent contractor will offer to perform all the maintenance duties in a factory; the company will then dismiss its regular maintenance staff, who probably belong to an industrial union if the plant is organised; the independent contractor then hires workers (electricians, carpenters, plumbers, etc.) who owe affiliation to building trades unions. The net result is a loss in membership for one union and a gain for others. The building unions accuse the industrial unions of using similar tactics, particularly at missile bases, to increase their membership.

The whole question was supposed to have been settled some time ago, but this arrangement has not worked in practice. Now Mr Reuther's answer is the adoption of a constitutional amendment that would provide effective machinery for settling disputes by binding arbitration. But the building unions have made it clear that there will be a bitter struggle if such an amendment is pressed at this year's convention.

How Ready a Reserve?

LAST summer, when the Administration decided that the Berlin crisis required a rapid enlargement of America's non-nuclear forces, about 154,000 members of the reserves were called up, including two whole divisions of the National Guard, one from Texas, one from Wisconsin. Hardly had these men reported for duty in October than the air was filled with grumbles which were seized upon by some newspapers and exploited by Mr O'Konski, a Republican Congressman from Wisconsin. There was even talk of a congressional investigation of the methods of the Army, to which most of the reservists—119,000—were being sent. The men complained that when they reached the camps there was nothing for them to do and a great shortage of uniforms, sheets, cutlery—and even of weapons for training. Over 25,000 of the men had seen two or three years of active duty and felt it unfair that so many young men who had done none, or only six months, were going scot-free. It rubs salt in this wound that the number of untrained conscripts being called up, which was raised in the autumn, is being reduced this month. With the easing of the Berlin crisis many of the men began to feel that their sacrifices—the interrupted careers, the businesses and houses that had to be sold—were pointless. Finally a rumour got round that the reservists might be kept in uniform more than the twelve months which is all that the law now allows.

At his press conference last week the President knocked this rumour on the head; the Administration hopes, he said, to release the reservists after less than a year's service. He also assured them that their sacrifices were appreciated and were necessary as a proof that the United States means to carry out its international commitments. The Department of Defence insists that the morale of most of the men is high and denies that the volume of complaints has been abnormally large. But it is trying to satisfy the legitimate ones. Shortages are being remedied, the men are now on combat training and requests for the suspension or postponement of call-up orders on the ground of hardship—to communities, businesses and individuals—are being treated with more respect. A good many of the complaints have come from "fillers"—individuals sent to fill out reserve units with which they had had no connection.

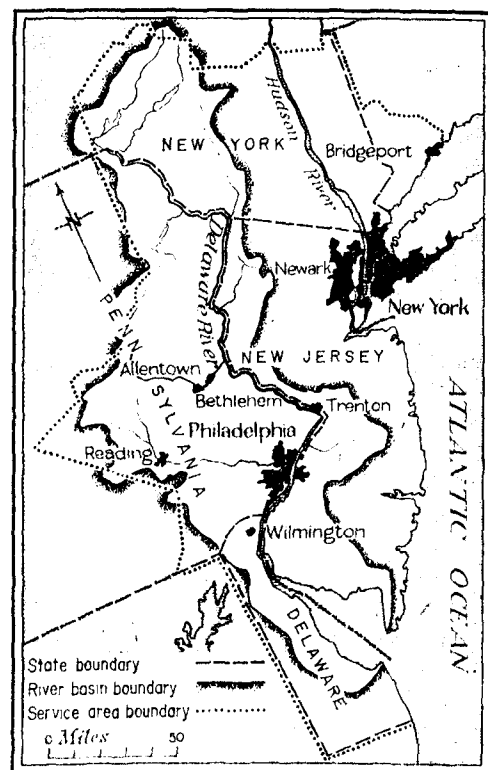
The fact remains, however, that if the country is to rely on its reserves in an emergency, it is the experienced men who will have to go; fairness comes second. But it looks as though the Department of Defence is turning to the view that it is not wise to

place too much reliance even on the "ready reserves." Men sent home when one crisis is over cannot be brought back a few months later when another blows up without putting an intolerable strain on the system. Instead the department is expected to ask in its next budget for two new regular divisions to add to the army's present fourteen. And the whole costly system of reserves and National Guards is once more under scrutiny. President Eisenhower tried to whittle them down, but was defeated by political pressures from the states which, for reasons of prestige, cherish their powers over the National Guard. The present Administration, after its experience this autumn, seems likely to renew the assault.

Basin in Commission

THE Delaware River Basin Commission holds its first meeting this month, having been approved by the Legislatures of the four states concerned—New York, New Jersey, Pennsylvania and Delaware—and by the United States Congress with almost unheard-of speed, although not without argument, in only eight months. The scheme had, of course, been on the planning tables for many years and once it was agreed it went through quickly, partly because this is a region used to governmental co-operation and intervention and partly because the legislators remembered that, when a previous scheme was turned down, disastrous floods followed promptly; their political lives could not have survived a repetition of this sequence of events. This time, too, the State Governors concerned were all able and enthusiastic, determined that there should be no more delay; they were backed up in Washington by an equally enthusiastic and determined group of Senators and Congressmen, notably the liberal Senator Clark and the conservative Representative Walter, both from Pennsylvania. Help came also from legislators from the Pacific Northwest who expect soon to put a similar project for their Columbia River Basin before Congress.

Certain industrialists in the area, led by the huge United States Steel Corporation, were afraid that their freedom would be circumscribed and in particular that they might have to pay for their water. There was also opposition from officials in the Department of the Interior who would have preferred an independent agency on the



traditional Democratic pattern of the Tennessee Valley Authority. Moreover there was justifiable concern about the very broad powers conferred on the commission and about the position of the federal government; its representative participates on equal terms with the four state representatives and could be outvoted by them, even if federal activities were at issue. It can be argued that this is unconstitutional and it may eventually be so argued in the courts. Meanwhile,

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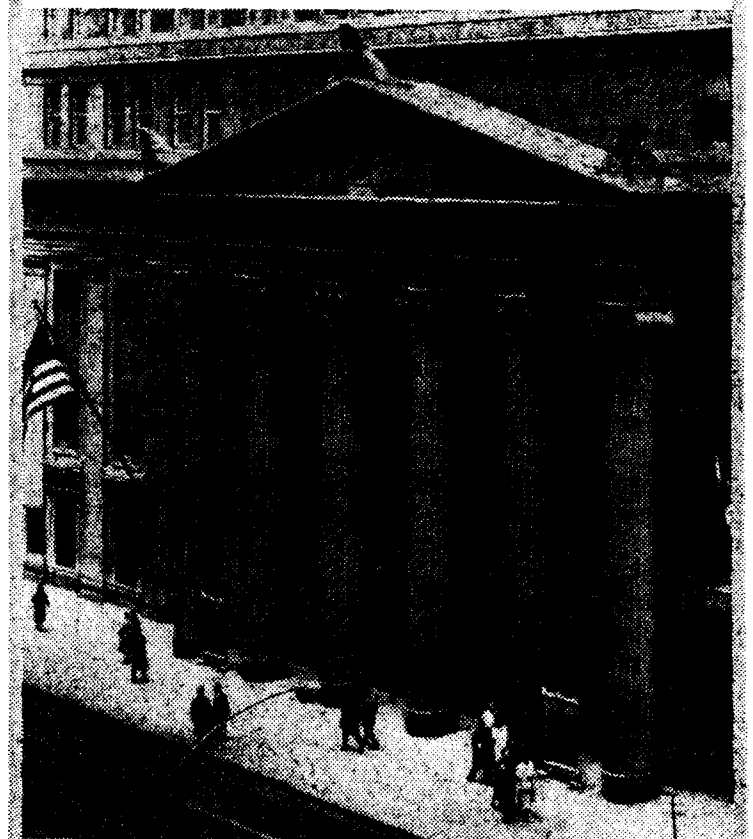


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the federal government exercises very substantial control through its financial contributions; Congress also retains authority to withdraw from the compact setting up the commission, or to revise its terms, and must approve all its projects unless they require only state funds.

After this "minimum protection of federal interests" had been provided, the Secretary of the Interior was prepared to accept what he still does not regard as a satisfactory scheme because the need for flood control and for planning recreational and industrial development in the area was so urgent. This had been pointed out by the Army Corps of Engineers in a comprehensive survey, completed at the end of 1960, of the whole river basin covering 12,757 square miles. It is one of the most highly industrialised regions in the country, with 21 million inhabitants and twice that number expected by 2010. Demands on the river, on which the region depends for its water, may double by 1980 and quadruple by 2010; so far there is no general shortage of water but there soon could be and both flooding and pollution need to be controlled. The growing population wants more and more lakes and parks for swimming, sailing and hiking and the growing industry wants more and more power—although hydro-electricity is not an important source of power in this area. To provide all this requires comprehensive planning for the immediate and long-range development of the water resources of the region and this is what the new commission has been set up to do.

Base Basketball

As a result of an investigation launched by the District Attorney of New York it became clear during the spring and summer that college basketball was still over-stuffed with players ready to accept bribes from gamblers to manipulate the scores of their own teams in particular matches. The similar scandal of 1951, inculcating thirty-two players from seven colleges, has been easily outstripped by the current one, which involves much the same number of players but more than twenty colleges all over the country, including even august Columbia.

Shocked and alarmed by the revelation of just how widespread the practice of corrupting young players has become, the National Collegiate Athletic Association, which regulates all forms of college sport, issued in October sixteen far-reaching recommendations for fighting a real menace to the interest and decency of amateur games. Among the NCAA's proposals were recommendations that players caught accepting bribes or failing to report attempts to bribe them should be expelled automatically from their university, that games should be played as far as possible on the colleges' own courts and not in public arenas such as Madison Square Garden, where players are exposed to corruption, and that Congress should outlaw such bribery. (Some states do so already.) But the most significant recommendation was that an attempt should be made to reduce the number of young men who go to college simply in order to play games by setting up a minimum standard of academic ability.

This last proposal, mild though it is, puts the blame for the whole sorry story where it belongs. Gamblers who try to fix the



odds can be dealt with by the law. Young men who can say, like the player given \$1,300 for game-fixing, "I did it for my bride and my baby," are just as easy to punish, once they are discovered. What cannot be eliminated so easily is the readiness of fund-hunting universities, hungry for prestige, to offer so-called "athletic scholarships" to entice good players into their teams. By means of these awards young players can get a well-paid and highly-publicised introduction to careers as professionals; and college presidents (often chosen simply for their ability to entice dollars into the university chests) can dazzle the graduates and other suppliers of money with tales of famous victories. Candidates for these "scholarships" all too often qualify simply by having the speed, the eye, and the height ("glandular freaks," snorts one commentator) to play well; their brains and their integrity are ignored. In effect this means, as the press has pointed out, that the colleges are the first bribers.

No Senator Stevenson

THE Democrats may need outstanding candidates for next year's elections but Mr Adlai Stevenson's decision not to stand for the Senate in Illinois in 1962 is surely the right one, even if there is truth in the stories that he and Mr Kennedy are not exactly compatible. The announcement that Mr Stevenson was even considering giving up his job as Ambassador to the United Nations and the suspicion that at first the President made no great efforts to dissuade him from such a course have given currency to a rumour that the Illinois Democrats had stepped forward to relieve the President of an uncongenial colleague. But Mr Stevenson's departure for politics would have been a double blow to the Administration: first, because his presence at the United Nations is an impressive symbol of American concern with international opinion and the under-developed countries; secondly, because, coming so soon after the demotion of Mr Chester Bowles, the Administration would have seemed to be dropping all its liberals.

It is not hard to see that Mr Stevenson, whose *amour-propre* is easily touched, may have found it "confining" to act so largely as a mouth-piece for policies—on Cuba and China—with which he has little sympathy. The President's warm, if vague, promise of an "expanding role" in foreign policy for Mr Stevenson may have helped to persuade him to stay. So may the realisation that there was no guarantee that he could defeat Senator Dirksen, the present Republican majority leader who will be standing in Illinois for his third term next year. Mr Dirksen is a real mid-westerner in spirit and a silver-tongued—if rather old-fashioned—orator. He is also, since the death of Senator Bridges, the most influential Republican in the Senate.

Senator Bridges's immediate successor, who is appointed by the Governor of New Hampshire, is likely to be Mrs Bridges, but next year the Governor himself is strongly tempted to stand for the remaining four years of the term. A much more enthralling race is shaping up in nearby Massachusetts, where Mr George Cabot Lodge, the son of the Republican vice-presidential candidate last year, has just announced that he will stand for the Republican nomination to President Kennedy's old Senate seat. It is filled at present by Mr Benjamin Smith, on the appointment of the Governor. Mr. Smith may seek the Democratic nomination himself, but the real interest attaches to two other possible Democratic candidates, the President's 29-year-old brother, Mr Edward Kennedy, and Mr Edward McCormack, the nephew of the man who is likely to be the next Speaker of the House of Representatives—Mr John McCormack. The Kennedy and McCormack families are old political rivals in the state; but in Washington the President will need the co-operation of the elder McCormack. One or the other of the two families must give way if there is not to be a collision.

HOME REPORT

Members of the editorial staff and local correspondents report on life and happenings in and around Britain

Full House in Notting Hill

FROM OUR SPECIAL CORRESPONDENT

IN the riot year of 1958 the residents at the summit of Notting Hill used to proclaim, with injured pride: "It's not the Hill, it's the Dale." Just across the Bayswater Road, after all, lie the select acres of Holland Park and the tiny, affluent houses of Campden Hill. But even the shiny Tube labyrinth with which London Transport has endowed the new flats and shops at Notting Hill Gate bears marks of the tension that bubbles greasily in the tenements half a mile to the north again. Grubby graffiti, zigzags or crosses within a circle, and terse admonitions to "Keep Britain White" appear on the new concrete, behind the backs of immaculately uniformed negro ticket-collectors. The locals agree, however, that crude race prejudice on this level has mercifully sunk since the hot and violent summer three years ago. "They are getting used to each other" is a common reaction among both black and white. The tension, now, is from a different direction.

For a century—ever since the Irish navvies arrived to build the railways from Paddington—this corner of the otherwise prosperous Royal Borough of Kensington has been a reception centre for migrant workers from overseas, or from other parts of Britain. The arrivals have packed unmercifully into such housing as they could find, until they have saved up enough to move out to a better district. Now there is simply no more room: but, drawn by the true promise of plentiful jobs in London, the immigrants keep arriving to join their relatives and friends. Anybody who has visited the tenements must be familiar with the double question—"Why don't they do something about the housing? Why don't they send the blacks home?"

The typical North Kensington street consists of stolid 100-year-old mansions built for middle-class families—who never materialised. From the beginning the houses were let out by the room. During the long years of rent control few landlords could afford proper upkeep: those who succeeded in making their profit by getting rid of sitting tenants, moving in a table and chair and letting the room "furnished" at uncontrolled rents did not smarten up the façade for fear of attracting the attention of income-tax men, health officers and other snoopers. The combination of an acute housing shortage and half-effective controls could have been designed to breed racketeers. Rent tribunals still have powers to keep down the rents of furnished rooms, but these restrictions are contemptuously dodged by some landlords.

The characteristic local landlord has always lived on the premises and been eager to make as much as possible on his one piece of property: after 1957, some big companies decided to sell out at the new higher values, and this tendency increased. Many houses were then bought by recent immigrants—but with loans at fantastic rates of interest, which can in turn only be paid off by charging tenants fantastic rents. The first to suffer from—and to exploit—this situation are the West Indians themselves



Stolid 100-year-old mansions . . .

(although landlords of other nationalities are criticised, too). Young and respectable coloured people, having been turned away by a couple of dozen white landladies, may be glad to mess together, four to a room, at £3 a week each.

The social consequences of such an arrangement can be disastrous. Those making money from high rents often find themselves drawn by a natural affinity into other, allied, rackets, such as prostitution (for the successful pursuit of which, under the Street Offences Act, mobility and thus available houses are more than ever needed). Established householders—many of whom are in any case the less successful citizens who have been unable to move out into a nice suburb—resent the new arrivals, both because they are foreign and because they are forcing up rents.

THOSE concerned with local welfare do not dare to look too deeply at the facts of overcrowding, for this might simply lead to the expulsion of families who have nowhere else to go. Landlords may be only too pleased that this should be so: but more serious is the fact that they have simply no incentive to improve things. Lettings of single rooms are extremely profitable: but a group of middle-class people who, with the aid of improvement grants and a building society loan, have bought and converted one house into self-contained flats for their own use, find that the charges on each flat come to £5 14s. 6d. a week—well above what the average working family is willing to pay. The top rent of a new 3-room council flat is rising towards £3 a week, which is, however, only paid by a tiny minority of council tenants—under the local scheme for differential rents, a weekly income of £24 for husband and wife is necessary before payment on this scale becomes obligatory, and most families as prosperous as this prefer to move elsewhere.

It is a waste of breath to tell families subjected to the pressure of rising rents and lack of choice in local housing that without the immigrants even fewer houses would be built. It is just as useless to tell immigrants (of all colours) to London that opportunities are better elsewhere, while jobs and pay are still booming in the capital. Every new office block in London requires more workers to build it, to work in it, to service it and to provide transport to and from it. In London's less salubrious inner ring this, not the colour of a man's skin, is the problem now.

Voting for Europe?

FROM A CORRESPONDENT IN BELFAST

ULSTER'S last general election for Stormont was in March, 1958, only three-and-a-half years ago, but already Lord Brookeborough, the Prime Minister, and Mr Isaac Hawthorne, the government chief whip, have warned the Unionist Party to prepare for an election next year. Most betting is on September, but it may be earlier, possibly next spring. The date could depend on how Britain's negotiations for membership of the common market go. Lord Brookeborough may well want to establish his party in power for another term before membership of the common market is finalised.

The Prime Minister, his entire Cabinet, and all the Unionist MPs, if not also the Labour and Nationalist oppositions, share Ulster's farmers' fears about what joining EEC could do to the £25 million a year which Ulster draws from the general agricultural subsidies of the United Kingdom. But the common market will also give the Unionists a new platform from which to reiterate their traditional attitude to Ulster's membership of the United Kingdom and to the partition of Ireland.

For forty years partition has been the main issue in all Ulster elections, so much so that it is beginning to lose its effect. In 1958 the Northern Ireland Labour Party won four seats in industrial Belfast by ignoring the border and concentrating on unemployment. But the undisguised enthusiasm with which the Nationalists, Republicans and others have been saying that membership of EEC could end partition has undoubtedly given the Unionists an opportunity to revive partition, almost as a fresh issue, this time. Lord Brookeborough will argue that a strong Unionist government will be needed more than ever if Ulster is to resist Dublin's encroachments.



Stormont: resisting encroachments

THE second major issue in the election will be unemployment, unless, of course, the Ministry of Commerce can find several thousand new jobs for industrial workers in the next twelve months. The Government's financial encouragement to industrial development has been substantial, totalling £50 million since 1945 and resulting in 40,000 new jobs. Unfortunately the full benefit has been lost through a greater decline in the older industries: some 10,000 Belfast men have lost their jobs in ship-building and in ancillary trades this year.

Mr Terence O'Neill, the Minister of

Finance, has said that the Labour party could double the number of its MPs at the next general election; but the Labour leaders, knowing that their present four (out of 52) Stormont seats are held by very narrow margins, are not so hopeful. In three by-elections since 1958 and in the Imperial general election in 1959 Labour candidates did not do so well as some had expected (although, by present English standards, Labour did have reason for encouragement: it picked up 7 per cent swings in three Belfast constituencies in the Imperial elections).

The Northern Ireland Parliament consists of two main groups, the three dozen Unionists who stand for the constitutional

THE ECONOMIST DECEMBER 9, 1961

status quo and the dozen anti-partitionists. The Labour party has tried to cut across this grouping by accepting the constitution, like the Unionists, but at the same time criticising, though perhaps never very severely, the Government's economic policies. This has not been enough to break up the existing stratification which makes the Unionists so comfortable. But the Unionists took a bad by-election knock last month when Miss Sheila Murnaghan became the first Liberal to reach Stormont since 1924. The seat, admittedly, was for Queen's University and her majority was 250 in a total poll of only 5,000, but the result looks like a sizeable straw in the wind of Unionist uncertainty.

Death of a King



THE South African, all-African musical, *King Kong*, has come to a sad end in Birmingham, and most of its cast are facing without joy a return to that other long-running drama produced by Dr Verwoerd in their home country. Mr Jack Hylton (who brought the show to Britain) also has a joyless facing-up to do—to his balance-sheet, incardinated to the tune of £5,000, plus the cast's fare back to South Africa and the forfeiture of several hundred-pound deposits for those who stay behind.

Despite its six-month London run at the Princes Theatre and its royal patronage, *King Kong* has been only a partial success. Its critical reception was lukewarm, hardboiled connoisseurs of such curiosities as the *Ballets Africains* having proved less susceptible to native charm than white audiences in South Africa, where at least part of the show's impact was that of women preachers on Dr Johnson.

Unfortunately, exoticism is not enough to keep London sophisticates queuing at the box-office; neither can the other ingredient of the show's partial success, its implicit (and in London debilitatingly explicit) crack at *apartheid*, last for ever. Again, London once lost, the assault on the provinces was perhaps ill-considered. Audiences there are hard enough to come by at the best of times: they are inclined

to go by Mr Tynan's book and Mr Hobson's choice (and these are strict mentors); and some provincials who wanted to attend for reasons of political solidarity made the pilgrimage to London anyway. It is not altogether surprising that it should have folded in Birmingham, where the prevalence of black immigrants may well have removed some of the interest, as well as some of the sympathy, from an all-black show.

The rigours of producing *King Kong* in Johannesburg involved the repressive vagaries of police action and the propensity of the cast to disappear wholly or in part on rehearsal nights; in London it was hospitality and a sometimes extreme use of an unaccustomed freedom which caused worries. Troubles, of course, seldom come singly in provincial tours.

The prospect of opening in New York and Israel might have injected a new vigour into everybody; but those arrangements fell through—a disappointment hard to bear at the best of times and in the least sanguine of casts, harder still in people who had been led to believe, by often irrelevant reactions to their show, that they were the greatest thing since *Porgy and Bess*. Without denigration of a good musical and a welcome sign of South African life, they weren't. And the people who persuaded them that they were ought to have known better.

THE ECONOMIST DECEMBER 9, 1961

English colours for the Caribbean



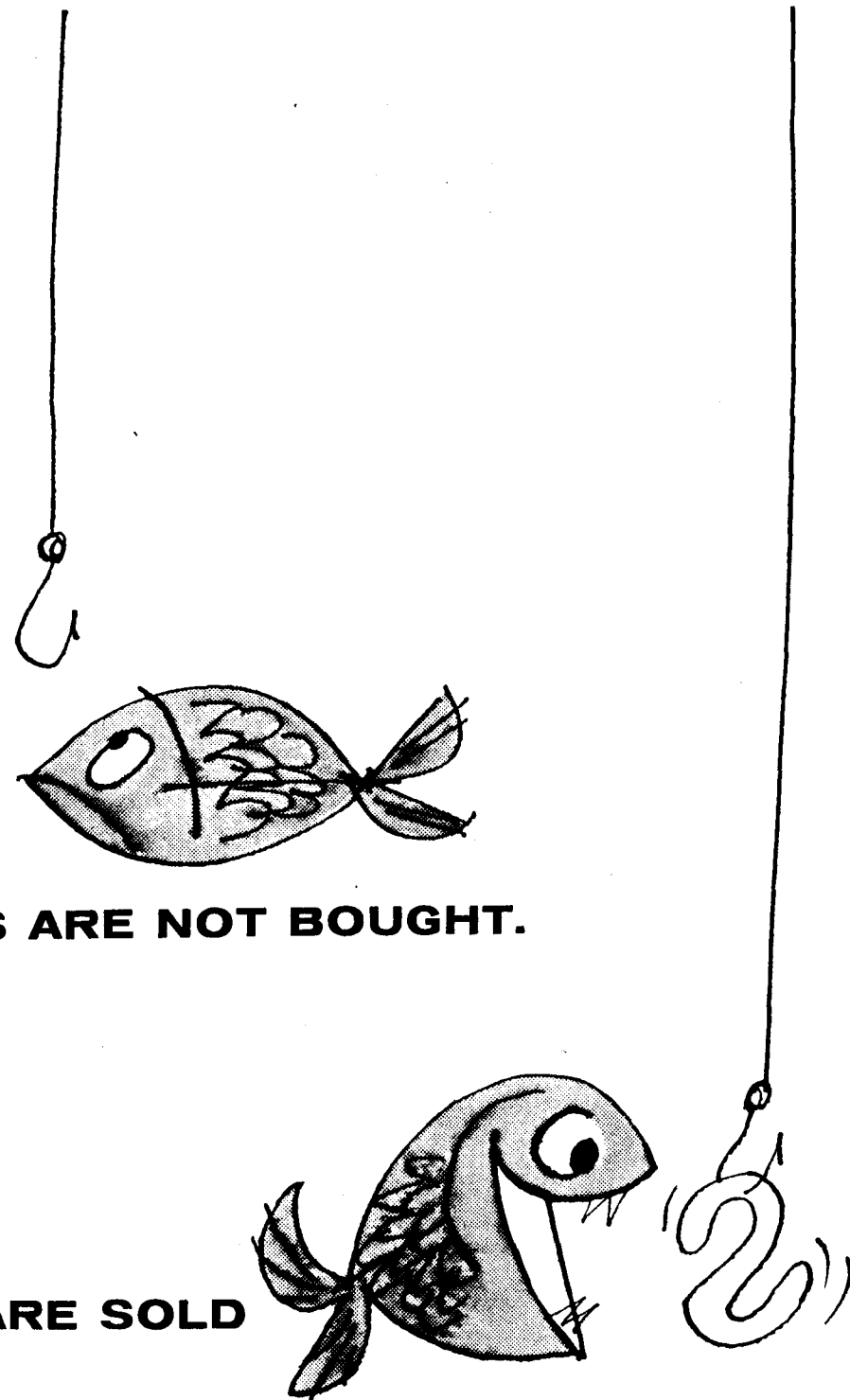
From Trinidad to Jamaica, the West Indian scene vibrates with natural colour: scarlet hibiscus and mauve bougainvillea, many-coloured humming-birds, strangely spotted orchids and — never out of sight — the ultramarine sea. Now something new has been added. In a factory near Port-of-Spain, finely ground pigments are being blended with carefully formulated synthetic resins to form colours that not only rival Nature's, but also do a sober job of protecting the houses, hotels, airports and industrial installations of the West Indies from blistering sun and tropical storm.

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THE WORLD OVERSEAS

United Nations Fights for its Life

FROM OUR SPECIAL CORRESPONDENT IN NEW YORK

LATE on Wednesday, as the tape machines at the United Nations headquarters tick out Katanga's tale of battle, it is hard to recall that the acting secretary-general, U Thant, made headlines as recently as last Friday merely by a remark that Mr Tshombe was, "very unstable." A week ago the prospect of a United Nations force being engaged in full-scale fighting seemed sufficiently remote even to those here who viewed it with either particular enthusiasm or particular alarm. Nobody for instance reacted to the news of the assault on November 28th on the chief UN officials in Katanga, Mr Ivan Smith and Mr Urquhart, with any suggestion that this would instantly provoke a shooting conflict. U Thant's statement on December 1st that he would take another week to prepare his plans for carrying out the Security Council's resolution of November 24th, and would then have to consult with his eighteen-nation advisory committee, was in itself enough to make most people here, of whatever persuasion, count on a certain breathing space. The weekend was available for a leisurely dissection of the case of Dr Conor Cruise O'Brien, for Mr Stevenson's farflung negotiation with the Organisation of American States (and with his own President) and for the counting and recounting of noses involved in the complex arithmetic of the debate on the China seat.

For many here, what others today call the "war" is still in a broad sense unreal. The Assembly's business is as usual, with the usual vistas of unhurried debate not only on China but also on Palestine refugees and—this stretches the imagination—outer space. The procession of cocktail parties and formal dinners has not been disarranged by the arrival of the first casualty lists. There must be fully as many people in the United Nations building, most of them absorbed in their habitual chores or rolling their habitual logs, and all of them insulated within the glass walls in their private world of carpeted silence and cosy air conditioning, as there are UN soldiers under fire in Katanga.

In New York last night President Kennedy warned the Americans that they had become a "nation of spectators" and must toughen up by using their muscles if they were to survive in a hard world. In the UN building, only a few streets from where the President spoke, these words have a doubly stinging echo today. Some 6,000 young men, mainly from India, Ireland and Sweden, are under fire in Africa in a battle upon which hangs the fate of the whole United Nations experiment: others are headed for the same battle. It is not certain how many of the equally numerous and more comfortably cushioned spectators in the New York grandstand realise that the biggest issue behind the battle smoke is whether the United Nations will ever flex its muscles again.

Tonight that issue is real and lively. The jet fighters supplied by Ethiopia, India and Sweden have now given the United Nations force the command of the air in Katanga that it dismally lacked in September—so dismally that Mr Hammarskjöld's ill-fated flight had to be made by a circuitous route and in darkness. But the UN force is greatly outnumbered by Mr Tshombe's troops—if they can still be called Mr Tshombe's—not to mention the many armed and organised European civilians in Katanga, some of whom have already been identified as playing a formidable role

in the new battle. Tonight in this building one cannot help being painfully interested in the possibilities of defeat. For the United Nations the battle can bring no clear victory, only at best a qualified success that would bring political problems within manageable proportions, without disposing of them. But defeat could be real—and final. Defeat could bring the whole effort to give the United Nations an effective peace-keeping capacity grinding to a savage stop among the fumes of bitter recrimination, and leave the organisation the toothless, querulously mumbling thing that various parties would like to see it become. Much rests on the shoulders of those 6,000 men; and of the commanders who must lead a variegated and run-down force, weakened by the huffy withdrawals of several national contingents, through a battle that was thrust upon it at a time not of its own choosing.

THE last point is important to get clear. The battle that erupted on Tuesday was not planned by the United Nations. It was not the action to clear out Katanga's mercenaries and militant Europeans that the Security Council authorised on November 24th, if such action proved necessary to effect the council's resolution. Nor was it a simple UN reaction to the brutal provocations of recent days. It seems completely clear in New York that the UN force was ordered into action only in the face of obvious preparations for a full-scale attack on it, including the stealthy blocking of its most vital lines of communication under cover of a fog of assurances, generously but mistily emitted by Mr Tshombe's representatives during the protracted negotiations that were counterpointed by the whipping up of local hatred against the United Nations.

Although making the military problem worse, these circumstances look like easing the political one. Up to the time of writing there has been no indication of any withdrawal of British support for the UN operation. In Delhi Mr Nehru has been firmly defending India's role—a major one—in the United Nations force against the sharp criticism arising from the recent murders of Indian soldiers by Katanga troops. Swedish qualms about involvement in an outright struggle seem to have been overcome by the fact that this conflict was forced upon the United Nations by its antagonists. And American backing for the latest UN actions has been swift, explicit and of crucial value. From Washington came not only an immediate declaration of support but also authorisation for the use of Globemaster aircraft, hitherto used to bring in UN troops and supplies from abroad, in direct support of the present fighting by ferrying reinforcements from Leopoldville to Katanga.

The fact that U Thant's task has been eased in certain respects has not lessened the general appreciation of the way in which the events of these critical days have been handled from the 38th floor of the secretariat tower. Many—not all, but including some who might have known better—have been surprised by U Thant's coolly decisive responses to the demands of these urgent hours: surprised and heartened, or shaken, according to their conceptions of the proper role of the United Nations executive. U Thant can scarcely yet have had time to master the intricacies of the secretariat end of the Congo operation, and has doubtless been glad of the

presence beside him of such veterans of the long haul as Dr Bunche. But he has so acquitted himself in these first hours of a new ordeal that it seemed a very apt slip when a New York broadcaster today unintentionally referred to him as the United Nations acting general.

Berlin in the Void

FROM OUR BONN CORRESPONDENT

Berlin



At the end of their talks in distant Washington, President Kennedy and Dr Adenauer declared that they were "determined to ensure the continuance of a free and vigorous life for the population of Berlin." Here on the spot, the senior German officials, responsible for organising the creature conditions in which the two and a half million west Berliners might hope to live freely and vigorously, say that the dividing wall has precipitated two extremely urgent requirements. First, a prompt and satisfactory east-west agreement on Berlin, in conse-

quence of which the west Berliners might get on with their lives in reasonable security. Second, the provision of from 10,000 to 20,000 settlers in west Berlin every year in order to maintain its vigour. The two requirements are closely related.

So long as he kept out of sight of the wall, an unknowing visitor would see nothing at first to tell him how completely Berlin has been cut in two. And to all but the most hardened old staggers it is astonishing to reflect that this part-city, west Berlin, with its 2,200,000 inhabitants, is not now transacting any commercial business with or importing anything, even fresh food, from any other place nearer than 110 miles. To all appearances, west Berlin is again warming up for Christmas just as comfortably as any normal German city; and the flow of smooth cars, the busy restaurants, the garlanded and sparkling shops, and the press of customers, testify how big-heartedly the Federal Republic, in spite of much hindrance, is sharing its prosperity with its relations in reduced circumstances on the Spree. But the anomalies of partition and the uneasiness of the citizens are soon and everywhere encountered.

The civic state of Berlin has deteriorated appreciably since August 13th. Workaday contacts between the eastern and the western sectors, exiguous as they have always been since the blockade, have been further reduced to an incredible minimum. There being no more daily commuters, public transport between the sectors has ceased, save for a few electric trains between west Berlin and the Friedrichstrasse station in east Berlin, which has become a full-blown frontier control point. Buses and coaches have been brought in from as far as Hamburg, Munich, and Stuttgart to cope with the additional passengers who travel by bus in consequence of the west Berliners' boycott of the east-Berlin-owned Stadtbahn. A few west German visitors obtain permits to enter east Berlin. But for want of permission from the communist authorities neither east nor west Berliners are free any longer to see each other when they want to, or to visit each other's theatres and museums; and *Neues Deutschland* has announced that there will be no easing of the restrictions over Christmas.

It is not only individuals who are being put out in one way or another. In company with several east German enterprises, the east Berlin underground and tramway systems, for instance, are already in difficulties because they can no longer send their mechanics into west Berlin to buy useful spare parts. Yet it is still possible for Berliners to send letters and parcels across the border. (The telephone lines were cut in 1948.) Two west German post office delivery vans and six railway parcels vans are admitted daily into east Berlin. For the rest, the two halves of the city are tacitly agreeing to continue to dispose of each other's sewage where such an arrangement is convenient; and the respective criminal police forces talk to each other from time to time by teleprinter about their wanted felons. The fire brigades and the gas, water, and electricity companies have long been going their own unco-operative ways.

The wall's sharp cleavage, and its national significance, are affecting the west Berliners variously. There are the buoyantly cynical ones, for whom the political cabaret *Die Stachelschweine* ("The Hedgehogs") is a glad spokesman. The star of the current show, Robert T. Odeman, swipes contemptuously at politicians of all breeds—rhyming *politisch* with *parasitisch*, and dealing his knock-out blow with the remark that the old feeding troughs remain while "the pigs change; they are new." There are the impotently angry ones, scattering crude leaflets in Kurfürstendamm—an unheeding thoroughfare if ever there was one—calling on German youth to fight for freedom:

Don't tolerate the criminal Ulbricht's concentration camp wall. June 17th and Hungary were a warning. They were bickering about cabinet posts while human beings were dying at the wall. Sixteen years of division are shameful. So fight together with the German Freedom Front against communism.

And there are the more reflective, who anticipate that west Berlin must sooner or later adapt itself to playing a new and subtler part now that it has lost its dual role of sanctuary and showpiece. Their prayer is that the enveloping Democratic Republic will meet them part of the way by evolving a regime at least as liberal as Poland's; and many of them are engrossed at the moment in a new Rowohlt paperback—"The Wall—or the 13th of August," edited by Hans Werner Richter—in which the conflicting views of east and west German writers are usefully reproduced. (If only Herr Ulbricht were big enough to let the east Germans read it.)

There are also those who, seeing no satisfactory future for themselves in Berlin, are making arrangements to leave. It is not yet possible to find out exactly how many, and who, are going. According to the senate, some 1,500 persons—three times more than usual—left Berlin for good in the month of October. The total loss of population through emigration between August 13th and the end of November is estimated to be roughly 9,000, of whom some half are described as refugees, 30 per cent as old-age pensioners, and 20 per cent as able-bodied native citizens. Shortly after arriving in Berlin the other day, this writer made for a favourite shop, just off Kurfürstendamm, that has sold artists' materials for many years. It was there no longer: or, rather, it is now a shop of a different kind; the previous owner, who had been doing business as usual at the end of August, had, it was explained, moved in the meantime to Kassel.

Yet, being what they are, the majority of Berliners cannot be fitted into neat categories. Perhaps many would like to go who cannot, and are holding their tongues. But most of them, it seems, are ready to ride out the storm if it comes. There is so much confusion and restlessness that the administrative authorities are becoming increasingly impatient for the long contemplated east-west negotiations to begin. Morale is bound to deteriorate further, they say, unless a settlement is soon reached guaranteeing west Berlin as independent a future as is practicable in the circumstances.



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Cans to make him happy
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in the morning is shortage of blood sugar. And one sure way to cure that is with a hot sweet drink. So quick! On with the kettle, out with the can, and make him fit to live with again.

Cans to keep you going
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WHAT NEXT? Christmas. You can't have failed to have noticed. If the Christmas spirit begins to flag, revive it by buying one of the new aerosols which spray artificial snow upon the Christmas tree. They'll make even the most staid of adults a trigger-happy child again.

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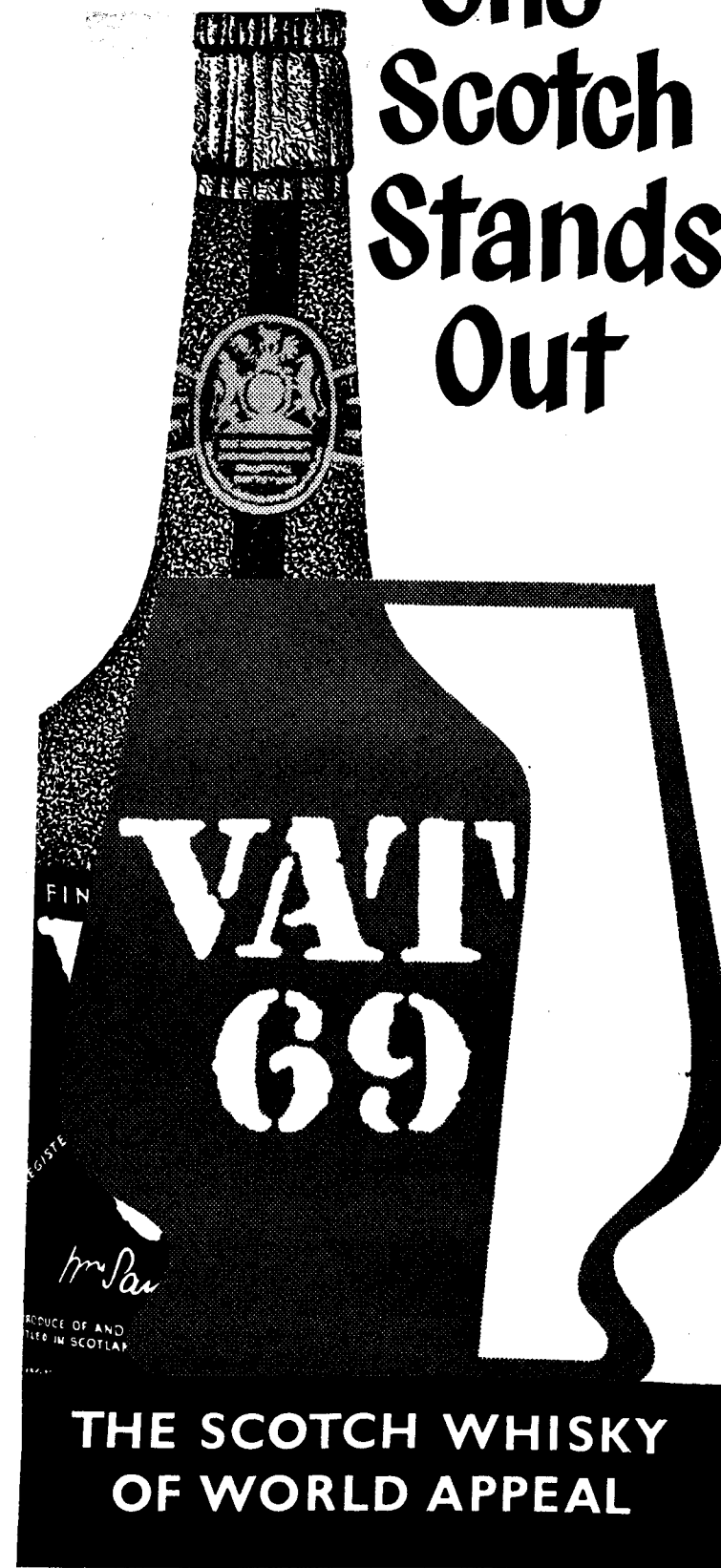
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Nor will continuing uncertainty attract the new settlers the city will require in future.

These are wanted to replace, not the westward emigrants, but the eastern immigrants who have ceased to arrive since August 13th. (For hundreds of years Berlin's vitality has been fed by newcomers from the east, particularly Silesia). Few will come from the west unless they are assured that at least one of Berlin's lines of communication is not controlled by the east Germans. It is not at all clear yet where so many west German volunteers are going to be found for patriotic duty in Berlin. But if they are not, the city's present administrators say, the Federal Republic's massive subsidies for west Berlin will go to waste for want of a sufficiently vigorous population.

Tanganyika's Torch

FROM OUR SPECIAL CORRESPONDENT



ADMINISTRATORS in London and New York, often oppressed by the perversities and ingritudes of Africa, have a habit of changing their tone of voice when they speak of the latest country to reach independence. They brighten in the manner of those gravy-sniffing twins of years ago and murmur "Ah, Tanganyika!" This gives the world the impression that this land of nine million people was created as near to perfection as this earth can manage, and that problems here are unknown.

This does much less than credit to the prime minister, Mr Julius Nyerere, and his cabinet who, in only twenty months in office, have worked singlemindedly to build a national unity throughout a land as large as France and Germany put together. It also offers no hint of the size of the obstacles ahead. The leaders have given frequent warnings through the slogans they have coined: "Uhuru na Kazi" (Freedom and Work) is now supplemented by the Churchillian "Uhuru na Jasho" (Freedom and Sweat). But there is also some understandable wishful thinking among the independence banners. The Aga Khan's Ismailis do best with their "Welcome to the peaceful dynamic and miraculous motherland."

Peaceful as Tanganyika has been, its hundred thousand Asians have their anxieties this weekend. A wave of racialism followed in the wake of the visit of Mr Jomo Kenyatta and Mr Paul Ngei from Kenya and broke over the national assembly during the citizenship bill debate. Mr Nyerere threatened to resign if his members refused to give citizenship to those non-Africans who pledged sole loyalty to Tanganyika. It was also thought necessary for Mr Rashidi Kawawa, the party's vice-president, to tour the southern highlands and assure the European farmers that there would be no discrimination against them. They will probably be left in

peace and there has been no question of their having to press for a guarantee for their land titles, a problem that has worried their Kenya cousins for years. But the outlook for Asians is less secure.

The Asians have spread themselves thinly through Tanganyika as traders and as middlemen buying up peasant crops, and envy at their success often approaches racial resentment. Perhaps there will be few cases of open intimidation—the government is on guard against this—but it seems certain that the small Asian business man will be squeezed out. Already in the northern province this has happened: the Chagga tribe, grown comparatively rich on the coffee planted under Mount Kilimanjaro, has produced its own successful trading co-operatives and the Asians have retreated to bigger business—or poverty. Only a few seem equipped to face this change. Also, Asian civil servants cannot hope for much promotion, at least until the Africanisation process has provided a fairer proportional balance in government. It is not a one-sided matter and Mr Amir Jamal, the minister of works and communications, who as the only Asian member of the cabinet has worked to bring his people halfway to integration, warned them of their responsibilities last month:

It would be a matter of great pity if all we felt we needed was a piece of paper to make us citizens, something we could wave and display as an identity card. Instead of asking what am I going to get out of it, the question they should be asking is what am I going to put into it.

The failure of the privileged few to identify themselves completely with Tanganyika's efforts to raise the general standard of living was, Mr Jamal suggested, perhaps as great a danger as any irresponsible behaviour on the part of the uninitiated masses.

Another major problem that may soon be facing the independent government is the united opposition from the trade unions. In well-argued speeches and articles, Mr Nyerere has contended that the idea of trade unions automatically opposing the government is illogical. There have been attempts to associate union leaders with employers and with the government in a committee whose task is to anticipate points of difference. Nevertheless, some of the unions, led by the railway labour leader, Mr Kasanga Tumbo, are beginning to fight the government. Grievances over the government's refusal to raise wages, and Mr Nyerere's threat that government employees who strike may be sacked, provide enough fuel for the moment. This small fire may spread if Mr Tumbo can get together with the agricultural co-operatives and identify himself with the "have nots."

THE government has two answers to Tumboism. The first is to refer consistently to unionists not as "the workers," but as "wage earners" as a reminder that the vast majority of Tanganyikans are peasants living at subsistence level and sharing little common ground with urban employees. The second, and positive, course is to devote most of the £24 million in the three-year development programme to increasing agricultural production. Britain, after a senseless period of meanness, promised £14 million towards this programme, and the rest should not be hard to find in such countries as Germany, which already has sent a development adviser to the ministry of commerce and industry. There is a growing feeling that the government, trading on its excellent political reputation, could be bolder in its borrowing plans; indeed, it will have to be bolder if it is to raise the average income above the miserable figure of £19 a year. But the world bank mission advised the government that a smaller figure still was the safe borrowing limit, and the word of the finance minister, Sir Ernest Vasey, is accepted that Tanganyika should not burden itself with larger loan repayments.

On the eve of independence the Tanganyika ministers are showing a confidence that is well founded on realistic preparations. They explain that the Tanganyika African National Union, which

won 70 out of 71 seats in last year's elections, has an organisation that spreads from the villages upwards, and should inform the government of grievances and anticipate any challenge from the opposition. They have come through a crisis of confidence in the Commonwealth, which ended happily with the withdrawal of South Africa in March. The Duke of Edinburgh's presence is a cheerful reminder that with independence Tanganyika's relationship with the Queen becomes closer than when she was merely the head of the administering authority. In foreign policy Mr Nyerere's government is likely to follow the Nigerian pattern. The government representatives conspicuously absent from the celebrations this weekend are those ideologically unwelcome neighbours from Rhodesia, South Africa and Portugal. The Chinese and the Russians are here, and the Chinese and the Yugoslavs intend to establish news agencies in Dar es Salaam. But the Tanganyika government will certainly prove one of the most fervent supporters of the United Nations—which is the best commentary on 15 years as a trust territory. Independence, said Mr Nyerere recently, is "a gift of great price and a burden of great magnitude." It is cold and tough going on the summit of Kilimanjaro where the prime minister has planned to set his torch of example.

Canada Sees the Sun

FROM OUR OTTAWA CORRESPONDENT

THROUGH the mist of ministerial statements and the dazzling glare of opposition drivers, who rush into the fog with their headlights blazing as though the visibility were perfect, Canada is at last feeling its way into the clear. The pattern of a Canadian policy towards Britain and the common market is gradually emerging. Mr Fleming, who understands the complexities of the European Economic Community better than any of his colleagues, and Mr Pearson, who understands them far better than any other opposition politician, both appeared in filmed interviews on two ambitious television programmes of the Canadian Broadcasting Corporation designed to explain what the common market is all about.

On December 3rd, in the second of these programmes, they both gave their views about the course Canada should follow. Also in the programme were Mr T. C. Douglas, the leader of the New Democratic party, and Mr Robert Thompson, the newly chosen leader of the Social Credit party. Mr Douglas was specific. He proposed the organisation of a concerted movement by all Commonwealth countries to join the European common market. If he could not get support—which he thought most unlikely—then he wanted to lead Canada alone into membership. Mr Thompson appeared to be moving rather more vaguely along the same lines. In contrast to these two, Mr Fleming and Mr Pearson,

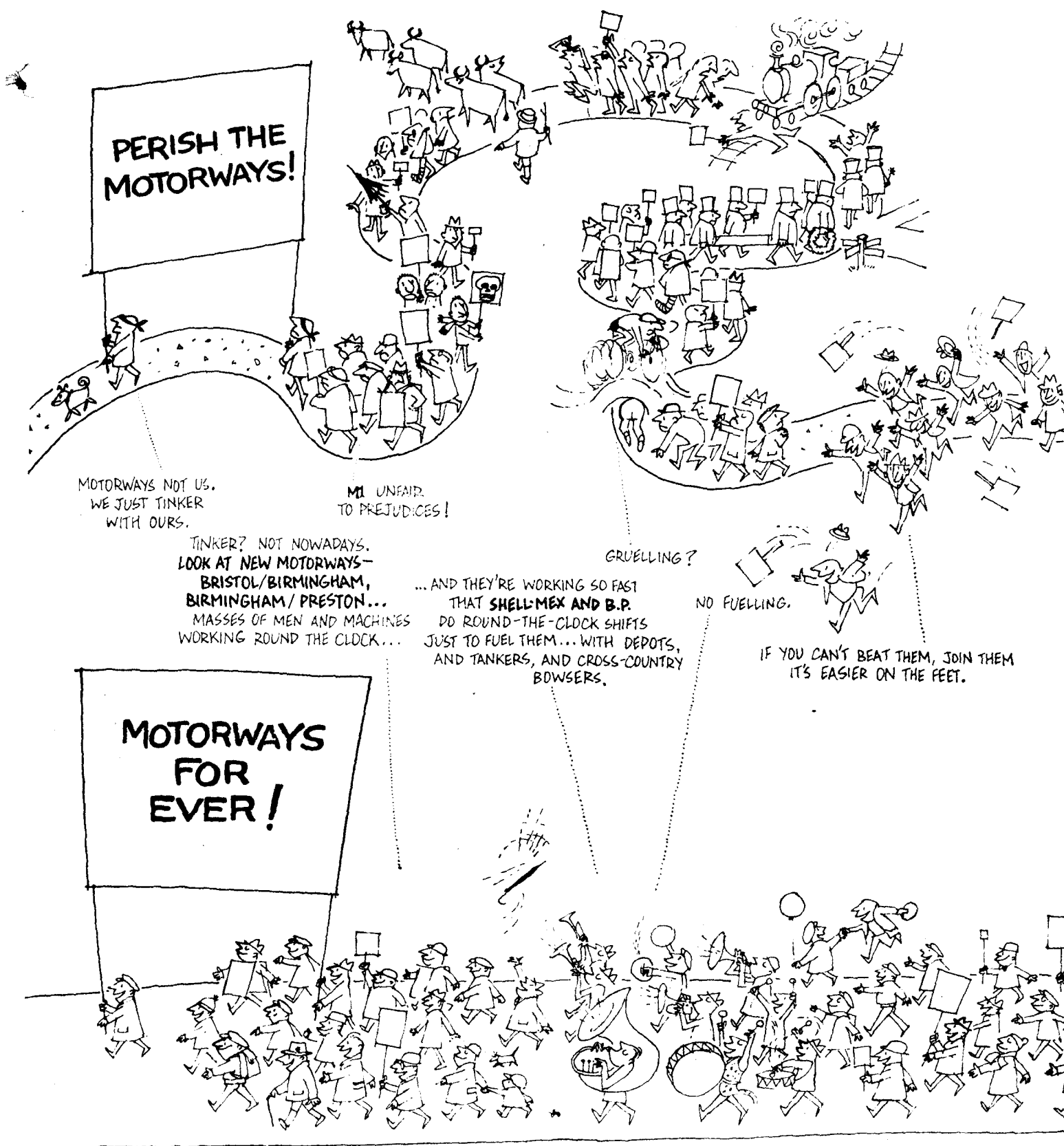
with their fuller understanding of the problems, expressed policies which, though starting from opposing premises, seemed to promise much the same end result.

Mr Fleming, as in duty bound, maintained that British entry into the common market would hurt Canadian interests, but he expounded more clearly than any previous government spokesman the hope that President Kennedy's initiative would give Canada the means of picking up the pieces. He pointed out that the cancellation of British preferences would give Canada a useful bargaining card which—as he implied—would be particularly valuable in the sort of world-wide linear tariff negotiations envisaged in the Kennedy plan, as outlined by Mr George Ball. In answer to a leading question, Mr Fleming clearly showed that he regards the Ball-Kennedy proposals as a chance of sparing Canada from the harsh choice of continental integration. Mr Pearson, also as in duty bound, started from the view that British entry into the common market should be welcomed but that Canada should be trying to broaden the European community into a North Atlantic community. A North Atlantic free trade area has been the declared goal of the Liberal party. But in the last couple of weeks Mr Pearson has deftly redeemed this impracticable proposal by adding that the area cannot, of course, be in any way exclusive. This addition brings Mr Pearson into line with Mr Ball and Mr Kennedy, and therefore with Mr Fleming—though this cannot be admitted by either party. It has so far passed entirely unnoticed in Canadian newspapers, but clearly it is of the first importance.

Mr Pearson stated even more clearly than Mr Fleming, though Mr Fleming is certainly of the same view, that the initiative of the American Administration is "tremendously exciting." If the President does not get the wide powers that he wants from Congress it now looks as though Canada—whether its government this time next year be Conservative or Liberal—will be even more down-cast than the United States Administration. The two main political parties are thus getting into line with the viewpoint of progressive business men. This is a cause that neither of them dared to espouse until now, and which carries implications that both parties are still reluctant to admit. The interaction of politics and business is at much the same stage as it was in Britain about two years ago.

This is the time of year at which bank presidents deliver their annual addresses. So far, only two of the ten presidents have spoken—Mr Hart of the Bank of Montreal and Mr Lambert of the Toronto Dominion Bank. They have probably set the key which the rest will follow, though in varying pitch. Mr Hart said that British entry into the European community might in the long run provide a stimulus to economic expansion and a "greater demand for Canadian raw materials to offset the other disadvantages." Mr Lambert advocated "the more positive approach of exploiting the opportunities for enlarged and more prosperous markets." What bankers and politicians are too cautious to say except in veiled terms is being said with increasing frankness by manufacturers and, unofficially, by government officials. This is that Canadian producers, not only of raw materials but also of manufactured goods, have simply got to become competitive instead of relying on protected markets. Those very industrialists, who were horrified four years ago at the prospect of free trade with Britain, are now talking about how they can become competitive not only in Britain but also in Europe and the United States.

Some of them have been converted by the removal of import restrictions in Britain and Europe, others by the successes of a few Canadian manufacturers in the United States. An example of the first group are the makers of domestic appliances who saw nothing but ruin four years ago if British competitors had free entry to the Canadian market. They have now discovered that, given distinctive quality and design, they can sell Canadian appliances on the other side of the Atlantic even at premium prices. Canada is selling umbrellas, men's suits and fishing rods in Britain,



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toys in Japan, certain kinds of textiles in Hongkong and diesel locomotives in Latin America. In the American market, a Canadian manufacturer, in business for less than three years, is selling millions of dollars worth of hi-fi sets and others are beating big American manufacturers in tenders for specialised kinds of electronic equipment. Beyond all expectation, including that of the maker, Canadian chocolates are being featured in New York stores. Whatever becomes of Britain's negotiations with the European community, and in spite of all the wailing that Canada has put up, the final result may yet be as stimulating and healthy for Canada as the common market is for Britain.

Rhodesian Cold War

FROM A CORRESPONDENT

SOUTHERN RHODESIA is losing its social colour bar; but this is not preventing the races from drifting even farther apart. Things are getting so bad that there may well be violence next year. The white United Federal party, the party in power, has boldly announced that it intends to do away with racial discrimination in public places; and it has persuaded most white Rhodesians to accept a new constitution under which 15 Africans will sit in a previously all-white house of assembly. The house itself will be enlarged to 65, to take the extra members. These measures are not, however, winning widespread African support. The African National Democratic party wants political power, and a redistribution of land. It has decided to boycott elections under the new constitution, and to use strikes as a political weapon.

The UFP, led by Sir Edgar Whitehead, decided at its annual congress in October to make all racial discrimination illegal, and to repeal the Land Apportionment Act (which reserves just over half the country for whites) if it wins the elections next year. Laws preventing Africans from entering cinemas, drinking hard liquor, having sexual relations with white women, and holding freehold titles in African townships near white towns, have already been repealed. Liberal councillors in the major towns are pressing for African participation in local government, previously a "whites only" domain. Multi-racial sports clubs are planned; there has been a successful season of multi-racial football games. On October 13th, the chief justice, Sir Hugh Beadle, ruled that the Salisbury city council had no power in law to discriminate against Asians and Africans who wanted to use its three public swimming baths. This was the climax of the anti-colour bar campaign led by Dr Ranger and Mr Lovemore Chimonyo. The decision clearly implied that other public amenities can no longer be reserved for Europeans only. By Rhodesian standards these are all spectacularly liberal measures.

Unfortunately but understandably, Africans are now so suspicious of European intentions that they are no longer prepared to accept these gestures. They see them as an attempt to win world, and British, support for continued white political authority. As Mr Joshua Nkomo, the president of the National Democratic party, has said, "We want to swim together in parliament, not in swimming pools." This is a revolution in African thought compared with ten years ago, when it was believed that by joining multi-racial clubs, Africans could acquire political influence, if not power itself. At that time, Europeans feared that social integration would corrode their political power. Strong arguments were advanced among Africans for "working within." Mr Nkomo, himself, stood in the federal elections in 1953, and Mr George Nyandoro, now detained for three years, was a member of the Inter-racial Association. But, after eight years, African federal members of parliament have been unable to change basic government policy, and "working within" is a discredited doctrine. Multi-racial groups are regarded by most Africans as "cooling chambers." In contrast, Africans have seen Dr Banda's toughness succeed in Nyasaland.

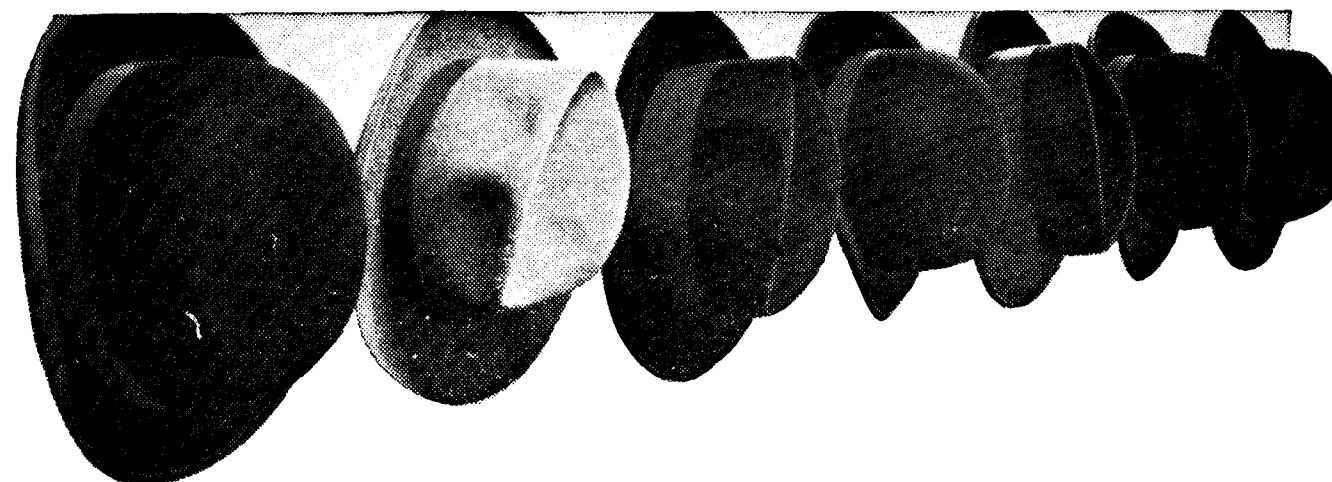
Even so, it was argued at the National Democratic party congress (which followed the United Federal party meeting) that the elections should be fought. This, it was suggested, would give the party a chance to "work within" the assembly at the same time as it exerted normal nationalist pressure in the country; it would also make the NDP politically respectable and thus give it some protection against the harsh security laws enacted by the UFP government. But the NDP congress rejected this argument. Its reasons were pressure from Accra and Cairo; dissatisfaction with UFP land policy; and its belief that the new constitution diminishes African parliamentary influence in one important respect. The old constitution put about 3,000 African voters in a position to influence the election of about ten European members—a third of the house. Now these voters will be on the roll that elects 15 African members; their influence, while more direct, will be restricted to the black quarter of the new assembly.

So the National Democratic party will not only boycott the elections; it will also urge the 15,000 to 25,000 newly enfranchised Africans not to register as voters. The 4,000 already on the roll are being asked to return their cards. This is a blow to the white liberals, whose New African party, led by Mr Garfield Todd, a former prime minister, intends to put up candidates supporting NDP. But the NDP organisation may not be efficient enough to make such a campaign succeed, particularly outside the towns. The government is spending £250,000 on its "Build-a-Nation" campaign, designed mostly to persuade voters to register. Influential district commissioners, and some conservative African landowners, may help the government campaigners to reach qualified voters in remote areas. If the registered number of African voters is less than 7,000 by next June, the NDP campaign will have been a success; if it is much more, the UFP will have won.

BUT the NDP has other plans besides the boycott. It is determined to disrupt industry in the hope of frightening off the foreign investment on which the country relies. This the party thinks might bleed the economy to a point where the Europeans would have to choose between coming to terms with African nationalism or leaving the country. This campaign has a greater chance of success; it cannot be ignored by hard-headed settlers. People are leaving the country already; the high wages paid to white workers have fallen; the building industry is hard hit, and unemployment is reaching alarming proportions.

The National Democratic party faces some hurdles in this campaign. Mr Abrahamson, the minister of labour and perhaps the brightest member of the government, has personally pressed employers to raise minimum wages. He has talked the African trades union congress and the employers association into accepting a wide investigation of the wage structure. The trades union leader, Mr Reuben Jamela, has bound his twenty affiliated unions and their 38,000 members to the agreement arranged by Mr Abrahamson. And while there is so much unemployment, strikes cannot easily succeed. But the unemployment itself suits the NDP. If Africans, particularly school-leavers, are out of work, they have a genuine grievance against the white government and are easily persuaded to join the struggle to remove it. Lightning strikes—like the one that brought out 500 workers at the Dunlop tyre factory in Bulawayo last month—are part of the plan. In quick response, the government has increased the size of the police force to deter these activities.

National Democratic party tactics work in colonial territories under direct British control; they may not succeed in a virtually independent country, where 250,000 governing whites rule two and three quarter million Africans. When baton-waving white policemen (including young, inexperienced, police reservists) face members of the youth council of the NDP, it is difficult to see how violence can be avoided.



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THE BUSINESS WORLD

Reforming Hire Purchase

As if they had not troubles enough, the hire purchase finance companies in the past few weeks have been ruffled by the short, simple private member's bill introduced by Mr W. T. Williams, Labour MP for Warrington, with some influential support from both sides of the House. It is up for second reading this Friday, just after this issue of *The Economist* has appeared. The aim of the bill is to strengthen the hand of the hirer—that is the consumer—in his dealings with the finance companies. The companies say that it would load the odds against them so seriously that they would be forced to apply far stiffer terms all round, which would push car buying, for example, out of the reach of lower scale wage earners. There is no doubt that its effects would be far-reaching.

This is not the definitive reform bill for hire purchase—a private member could not be expected to produce that. What the bill does is virtually to make a nonsense of the law and practice of hire purchase. Since the hire purchase companies themselves have been doing a good deal in this direction in the past year or two, they ought to be taking the long view on legislative reform. The Finance Houses Association has told MPs that the rate of defaulting is now "five times higher" than before 1958; it says that losses now average 2 per cent of turnover, compared with $\frac{1}{2}$ per cent before the war. Mr Williams's bill, despite its incidental disadvantages, would in fact help to push instalment lending in the direction that thoughtful people inside and outside the finance companies have favoured for some time: that is, away from complete dependence on the dealer and towards a more direct, banking relationship with the customer—the putative hirer. The best outcome would be if Mr Williams's bill prodded the Government into producing its own comprehensive measure of reform, at latest within a short period of receiving the Moloney report on consumer protection, which is expected in the spring. If the Government refuses such a commitment, then MPs would do well to get Mr Williams's bill, amended at one or two points, into law; once this happened the Government would be virtually forced to act.

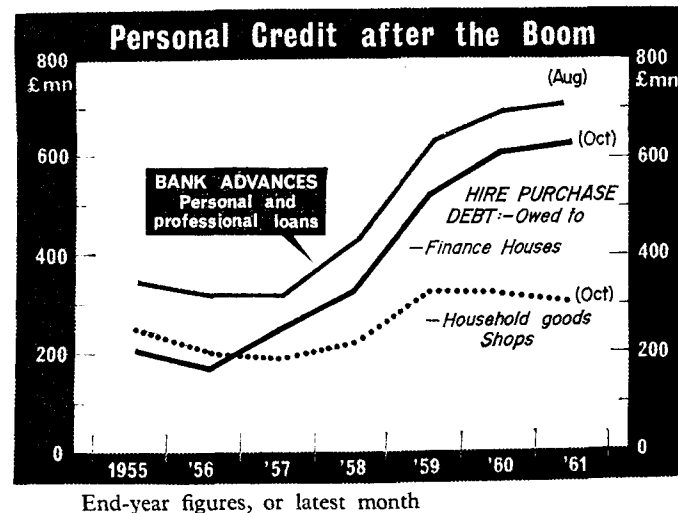
The bill as it stands has four substantive clauses. The first extends the statutory protection of the 1938 Act to cover goods up to a total hire purchase price of £1,000; the present limit is £300, having been raised in 1954 from the £100 in Ellen Wilkinson's pioneering Act before the war. The second clause introduces a waiting period of "at least two clear days" in which the hirer or buyer must be given, in writing, a notification of proposed terms, in the standard form set out in the schedule to the bill ("The cash price of the goods is —. The credit charges are —. The difference between the

cash price of goods and the total amount you will have to pay is therefore —. . ."). The third clause makes the finance house, as the legal owner of the goods, responsible for dealers' misrepresentations. The fourth requires that any document required by this or the 1938 Act shall be printed in type not smaller than ten-point Times, in which these lines are printed.

IMMEDIATELY, the biggest jolt to the finance companies would arise from the extension of statutory protection to cover virtually all their business in cars (most of them within £1,000), rather than only the bottom end of it. This bill would limit the rights of finance companies in two main ways. First, once the hirer had paid one-third of the total hire purchase price (cash price plus credit charges together not exceeding £1,000) the finance company could secure repossession of the car, or other product, only after obtaining a county court order—whereas goods involving more than £1,000 could still be repossessed without formality when the hirer fell down on his instalments. Secondly, if the hirer himself exercised his right to terminate the contract and return the goods to the finance company, he could not be made to pay more than was needed to bring the amount he had paid through his deposit and instalments to more than one-half the hire purchase price, up to £500. This means in effect that once the hirer had paid sufficient instalments to bring him beyond this half way mark he could return the car to the company with no penalty. He already enjoys all these rights under the 1938 and 1954 Acts on contracts up to £300; by extending the limit to £1,000, the bill brings the legislation squarely into the finance houses' range. They would face a loss on a repossessed car if the proceeds of its sale (and repossessed cars are not popular in the motor trade) were less than the amount still owing on the hire purchase price.

The Finance Houses Association has therefore intimated that if Mr Williams's bill is enacted, its members would have to take a much sterner stand against hirers who fell behind in their early payments, as the companies would be reluctant to lose the opportunity of repossession without a court order. Secondly, finance companies would be obliged to make "drastic revisions" in their terms of business. These will aim to ensure that the car's value does not depreciate below half the hire purchase price at any stage of the agreement, and to achieve this the FHA says the companies would need a deposit of at least one-third and repayment over at most two years. On this basis, the critical amount of half the HP price would in fact have been paid when the car is only seven months old. The finance companies would therefore be dis-

playing unusual caution, even allowing for delays in getting court orders and the rest ; and with a one-third deposit they could never in fact repossess without a court order. But one can agree that the slant of the present legislation is too far towards allowing the hirer to escape from his contractual obligations, and by encouraging the finance companies to gear their whole practice to this contingency, would in the end penalise the great number of people who carry out their hire purchase obligations in the agreed way. The finance companies' present rules on termination for goods not covered by the 1954 Act, on the other hand, are often rapacious. The



sensible solution would be that in the event of premature termination the hirer's obligation should be the amount still owed to the company, *less* the amount the company received for re-sale of the car, *plus* a modest but not insignificant penalty—say £25. The finance company is entitled to fair compensation for the broken contract.

THE two day "think period" proposed in Mr Williams's bill aims mainly at curbing the persuading power of the door-to-door salesmen, and the big finance companies, which do not normally employ door-to-door salesmen, are content to see such dubious trading curtailed. They are worried, however, about the effects of the two-day pause on their car business. It is said to be "unacceptable" in the motor trade. Is this really so ? By what alternative means would traders sell their cars ? The pause should in fact strengthen the finance companies' position in relation to the motor trade ; they ought surely to welcome a breathing space to discover something about the man to whom their agent has advanced hundreds of pounds. This part of the bill should therefore be welcomed unreservedly.

So, too, should the third clause, which gives the hirer the same right against the finance company to rescind the agreement or return the goods in the event of misrepresentation by the dealer as if the dealer were the owner's agent. In fact, much of this protection to the consumer already exists under Section 8 of the 1938 Act, which requires an implied condition in the contract that the goods are reasonably fit for the hirer's particular purpose. Even for transactions too big for protection under the 1954 Act, where the finance companies have sought to relieve themselves of implied conditions and warranties by means of exception clauses, interpretation of the common law in recent years has veered towards a rejection

of such clauses. But judges would dearly like to see these interpretations codified in new statute law.

The finance companies hotly oppose this reading of the law—and in doing so they build up a formidable and interesting indictment. Giving evidence earlier this year to the Moloney committee, the Finance Houses Association protested that if a man buys a defective car on hire purchase, then because he has no contractual relationship with the dealer, he

cannot sue the party morally responsible, i.e. the dealer. His remedy under the present law is against the finance company only, so that in effect he is suing his bankers. In this situation, the FHA goes on, it is scarcely surprising that the finance houses have experienced many instances in which dealers have been able to dispose of defective goods to the public knowing they have no legal obligation to the hirer.

And then, as a rather remarkable conclusion to the syllogism :

The present state of the law may thus be said to encourage conduct of this kind.

What the law has recognised, hesitatingly and fumblingly, is the form in which the hire purchase companies have themselves chosen to conduct their operations. It is the finance companies that have dressed up their lending operations by "hiring" goods of which they are the owners until the last agreed instalment, has been paid ; they can hardly blame the law if it takes them at their word.

The anomalies to which the finance companies are pointing are therefore in their own ways of doing business. Their bad experience with dealers is one sign of this ; their concern about penalty clauses in the event of early termination of contracts is another—if hire purchase is working as it should, the security lies in the goods, and repossession is sufficient remedy against loss. When the companies stress that at present the amount they are owed often exceeds the market value of this security they are admitting that the first principle of hire purchase has been broken. And when they complain that people are getting increasingly careless about respecting the terms of their contracts and are being encouraged to assume that when they are tired of paying instalments they can simply return the car, they should recognise that it was the principle of "hire—then purchase" that originally suggested this view. Now, belatedly, the finance companies are beginning to recognise openly that they are in fact in the lending business, and they see that they have to lay greater weight on the personal creditworthiness of the borrower.

The law can encourage them. It can, in the first place, give the strictest interpretation of the companies' obligations as owners while they retain the hire purchase contract. But it must at the same time open the way to the finance companies doing business by the direct route, through personal loans, which requires at least administrative relaxation of the provisions of the Moneylenders Acts, and also recognition of car registration books as documents of title. The finance companies will not be able to change the style of their business overnight ; but they could put much more effort into the building up of a reasonable system of national credit rating. Meanwhile, the companies need to straighten out their relations with dealers ; it is wholly to the good if the law gives them the effective choice of confining themselves to honest dealers or doing a straight loan transaction with the individual customer.

If the Government washes its hands of these important matters, it will deserve much criticism. It should be harried also to produce its long promised bill to regulate the accept-

ance of deposits by hire purchase companies and others. This bill has been held up for years, above all by the reluctance of both the Board of Trade and the Bank of England to undertake the invidious task of choosing between institutions that may and may not accept deposits. The authorities have long shied from the awful task of defining a bank ; and they know

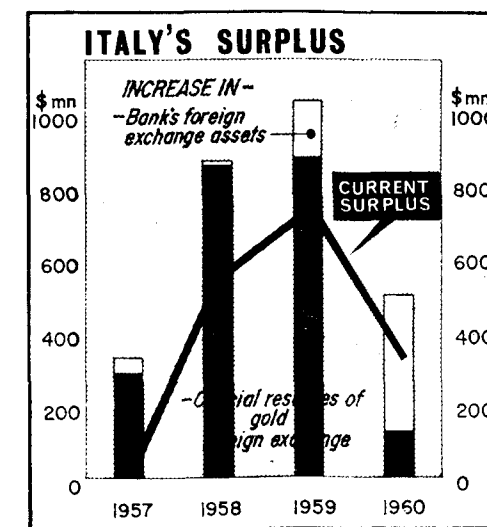
Italy's Unfinished Task

LAST week-end's scramble into the Italian lira, which played an important part in the sharp drop in sterling, did not exactly come out of the blue. In recent years, the lira has established itself as one of the world's strongest currencies, and after the revaluation of the mark and guilder last March the lira was immediately put on the speculator's short list of possible followers. An observer standing aside from the technicalities of foreign exchange may indeed be entitled to feel that, like the corresponding talk about the weakness of the United States dollar, this is finance gone wild. Why should a country that has been trying hard to develop its own underdeveloped areas, and has encountered some formidable difficulties in doing so, deliberately blunt the competitive power of its industry and, in the German wake, deliberately slow down the pace of its economic growth.

Revaluation would be an astounding act for Italy.

BETWEEN 1959 and 1960 Italy's gross national product rose, despite the poor harvest of 1960, by an estimated 7 per cent in real terms, and its gross investment by 18 per cent. The annual index of industrial production increased by 14 per cent. Exports rose, in value terms, by 25 per cent. This year's increases are likely to fall considerably short of these record achievements, but they will still be high. The increase in industrial output will probably be nearly 9 per cent, and that in exports above 10 per cent. By the summer of 1961 the figure for registered unemployment had fallen to 1,350,000, a considerable step down from the two million of the mid-1950s. Some observers are, moreover, inclined to believe that the number of registrations at Employment Offices overstate the true dimensions of the phenomenon. They are prepared to place more reliance on the much lower figure obtained by the Central Institute of Statistics from sample investigations. In July, 1961, this figure was below 600,000. Indeed, the more optimistic commentators predict that the proportion of unemployed in the labour force will soon reach the 2-3 per cent which is generally regarded as the irreducible minimum.

Italy has certainly made striking progress recently towards solving a problem which is of many decades' standing. It does not detract from this achievement to emphasise how much still remains to be done. Unemployment figures taken alone are misleading in this connection. Quantitatively speaking, underemployment is at present the more important phenomenon. Many millions of Italians



how much the banks proper would resent having to go through the same hoop as any other deposit taking institution. But this is what credit regulation entails. Is it symptomatic that, recognising the importance and indeed the urgency of this task, the financial authorities have in effect admitted that they dare not tackle it for fear of hurting people's feelings ?

At the same time, the progress achieved in recent years has altered Italy's economic relations with neighbouring countries at many points. In finance, Italy is now playing an active part as a lender of short-term capital. In trade, northern Italy's "industrial triangle" is now established as perhaps the most sharply competitive centre of European industry. The pace of activity here has now perceptibly slowed down the net movement of Italian workers abroad, a movement which has been of major importance to industrial expansion in other European countries, notably Germany. Indeed, Italian employers are now sending their own labour-seeking missions into the Ruhr, on the look-out for any Italian workers who can be induced to come back home—which may well be less expensive for Italian industrialists than the training of unskilled labour from the Italian south. In this article, a correspondent surveys Italy's achievement in the perspective of the tasks that still lie ahead.

are still working at levels of productivity and remuneration far below those of the rest of their compatriots. This is mainly, but not exclusively, a problem of southern Italy, and mainly, but again not exclusively, a problem of an overcrowded agriculture. Even among those workers who have left the land in recent years there are many whose present activities give them incomes little if any higher than the minimal ones which farming gave them previously. The borderline between employment and unemployment is in these and many other cases a very thin one. The process of fully integrating the large numbers of underemployed workers into the productive system requires a further big expansion of Italian industry and industrial exports. Italy can and should achieve, for some years to come, rates of expansion higher than those of countries where no such reserves of labour exist.

For many years after the war the view prevailed that a capital shortage was the factor which limited the pace at which this process of absorbing labour reserves could take place. More recently this view has had to be revised in the light of changed circumstances. Italy now has access to the international capital market on a much larger scale and on better terms than were available previously. But paradoxically, Italy has on balance recently been lending abroad, or adding to its gold and foreign exchange reserves at a time when its international liquidity was already among the highest in the world. Encouraged by the boom on the Italian Stock Exchange, private foreign investments (net of disinvestments) in

Italy reached \$227 million in 1959 and \$445 million in 1960. Long-term loans from official and private foreign sources amounted to another \$207 million in 1959 and \$105 million last year. Of Italy's present official reserves (over \$3,300 million at the end of September) \$877 million was accumulated in the single year 1959, another \$127 million was added in 1960, and a further \$291 million in the first nine months of this year. The current account surplus in the first nine months of this year was \$287 million; this compares with \$342 million for the whole of 1960 and \$755 million in 1959. Last year the accrual to the reserves was deliberately checked by the official policy of encouraging the Italian commercial banks to play a bigger role in financing foreign trade and requiring them to liquidate their previous debit balances in convertible currencies. Italy has become a major centre in the Euro-dollar market; by August 1961 the Italian banks had foreign exchange assets of \$980 million. But controls on investment in foreign securities are being relaxed only very tentatively. Italian companies may now buy bonds in other common market companies engaged in similar business operations, and Italians may now deal in the bonds of international financial institutions of which Italy is a member.

The rising foreign exchange reserves have been the source of a big increase in liquidity for the domestic banking system, an increase that the Bank of Italy did not at first find it necessary to offset. However, in the first nine months of this year bank liquidity has risen by only \$9 million, compared with \$239 million in the same period of 1960. But the central bank has still been willing to grant the commercial banks additional discounts and advances when needed. Credit conditions have been distinctly easy ever since 1958. For some two and a half years the demand for bank loans failed to keep pace with the growing supply of bank funds, and the banks' liquidity ratios were exceptionally high. They have returned to normal in 1961. Nonetheless, it remains true that the high level of the reserves and the strong balance of payments should permit Italy to invest much more at home.

The monetary authorities no longer feel the need to follow such a strict credit policy as was adopted over most of the 1950s. Much also has been done in recent years to improve the machinery for making longer-dated capital available to the smaller and medium-sized firms. And interest rates, which were once high in Italy by the standards of other western countries, are no longer so. The Bank of Italy's discount and advances rates are now $3\frac{1}{2}$ per cent. Borrowers with first-class names can obtain discounts and overdrafts from the commercial banks at 5 and 7 per cent respectively. And medium-term loans are available at under 7 per cent. Certain categories of medium-sized borrowers have recently been obtaining subsidised medium-term finance at an all-inclusive rate of

5 per cent, or 3 per cent if investing in the south. The government has also sought to remedy the lack of cheap borrowing facilities available to the very small man. It seems clear, however, that other factors besides the conditions on which capital is obtainable are the limiting influence on a further growth in investment.

Some Italians claim that there is a shortage of private entrepreneurship, causing many profitable opportunities for domestic investment to go unexploited. And there is much talk amongst this group of the need for more state-run industry. Among businessmen themselves there have long been complaints about the high and increasing burden on employers of social security charges, family allowances being one of the biggest items. It is apparent, too, that now that full or near-full employment has been reached for skilled labour, further expansion entails in many cases the shouldering by the employer of the costs of training unskilled labour. This problem is an acute one at the present stage of Italy's economic development. In some instances it renders labour costs perceptibly higher than would appear from looking at wage levels alone. Although many labour training schemes of an official character are already in existence, some people would like to see the government assume still greater responsibilities in this field. Certain features of the tax system also are believed to be holding back expansion, especially of small enterprises. Many people, too, blame the monopolistic practices alleged to be followed by the big concerns in key industries, and are pressing for the early passage of an anti-monopoly law. These problems require long study and preparation followed by legislation. This may itself be a slow process if the constellation of political forces in the Italian Parliament continues to make the government's position weak.

The failure meanwhile of industrial investment to reach its potential maximum is not a reason for suggesting that the authorities should use the country's foreign reserves to finance big new public works schemes. A big increase in public spending over the next five years is in any case in prospect. Part of it is connected with aid to farmers for adjustment to the rapidly changing conditions in agriculture, and part with the highly necessary programme for improving the country's schools. One should not expect, either, that Italy will try to get rid of its balance of payments surplus by an upward revaluation of the lira. Progress towards the solution of its main economic problem is bound up with its ability to capture a growing share of world export trade in industrial products, and Italy cannot afford to weaken its competitive position. The appropriate solution for the balance of payments surplus is that imports should for some time increase even faster than exports as the result of a higher level of domestic investment expenditure. Some movement in this direction did in fact occur in 1960, when the value of imports reached a level of 40 per cent higher than that of the previous year. It has not continued in 1961; imports this year have increased about as fast as exports.

It is clear, finally, that though Italy may temporarily be a net exporter of capital, it cannot yet be considered a country, that can afford to contribute on a very much increased scale, and on a long-term basis, to the capital development needs of other countries. Sooner or later Italy will need to draw on its foreign assets for domestic investment purposes. It may be another decade or more yet before its own development task has been completed.

ITALIAN BANKS' FOREIGN EXCHANGE CREDITS TO DOMESTIC CUSTOMERS

Currency	(end-month figures in million dollars)			
	1959	1960		1961
	December	June	December	March
In dollars	51.4	249.1	465.1	478.2
Rate of interest %	5 $\frac{1}{4}$ - $\frac{1}{2}$	5 $\frac{1}{4}$	5 $\frac{1}{4}$	5 $\frac{1}{4}$
In Swiss francs	337.4	304.7	140.8	147.4
Rate of interest	4 $\frac{1}{4}$ -5 $\frac{1}{2}$	5 $\frac{3}{4}$ -5	5 $\frac{1}{4}$	5 $\frac{1}{4}$
In sterling	85.0	36.5	13.7	10.0
Rate of interest	4 $\frac{1}{2}$ -5	5 $\frac{3}{4}$ -5 $\frac{1}{2}$	6 $\frac{1}{4}$	6 $\frac{1}{4}$
In other currencies	95.4	44.2	48.9	53.3
Rate of interest	5-6 $\frac{1}{2}$	5 $\frac{1}{4}$ -6 $\frac{1}{2}$	5 $\frac{1}{4}$ -6 $\frac{1}{2}$	5 $\frac{1}{4}$ -6 $\frac{1}{2}$
Total	569.2	634.5	668.5	688.9

BUSINESS NOTES

THE EXCHANGES

Passing Storm

A SUDDEN gust of speculation against sterling blew up at the end of last week, and then passed as quickly as it had come. Until the middle of last week sterling had been strangely unaffected by the questions raised at home about the future of Mr Selwyn Lloyd's policy, and particularly of his pay pause. The first speculative selling took place from New York in the second half of the week and was attributed to the arrival there of the newspapers carrying reports of the Chancellor's references to the threat of devaluation (references which applied to the situation in July rather than now, as his officials subsequently pointed out). Then on Friday the market was swept by a number of rumours, notably a prospective revaluation of the Italian lira. The meeting of the finance ministers and central bankers of the common market countries in Paris that day was also seen as a disturbing influence; it was rumoured, though subsequently denied, that these gentlemen would "discuss sterling." The markets will have to get used to such official gatherings: another is due at the end of next week when finance ministers of Nato meet in Paris, and it would indeed be odd if none had a word to say about the pound.

In the atmosphere that suddenly developed last Friday selling of sterling was substantial—bigger, it seems, than on any single day since March. The authorities let the rate drop below \$2.81 before they came in to support sterling; and when the speculation fizzled out this week, accompanied by a convincing denial from Italy, the exchange control took dollars back at \$2.81 $\frac{1}{2}$. Thus the speculators have been made to pay for their ride. There is no doubt that the official tactic of making speculation expensive is an appropriate discouragement. A similar influence is almost certainly responsible for the otherwise inexplicable quiescence of the gold market, which at present has rather more stale old bulls than eager new bears. Hence the unusual conjuncture of widespread distrust of both pound and dollar and of disillusion too with the fruits of investment in gold. This has combined to produce a calm surface with a turbulent undercurrent—and scares such as that over the lira last weekend are the natural result.

Half Way Back

MONDAY's figures of Britain's gold reserves were broadly what the market expected after last week's demonstration of confidence in repaying a further £50 million to the International Monetary Fund.

Even after making this payment the reserves rose by £9 million in November, to £1,270 million. As the calculations in the accompanying table show, the true market inflow of £59 million was only about half as large as October's inflow, and was also smaller than September's. But it was still substantial, and may have owed something to the improved current balance of Britain and overseas sterling countries with the non-sterling area, as well as to an inflow of short-term capital—though this was no doubt still the bigger influence.

The reflux of funds since the turn of the tide produced by the Chancellor's measures in late July now amounts to around £320 million—making up almost exactly one half the loss in the period of strain in the first

THE RESERVES AND THE CREDITS (£ million)

	Change in Reserves	Basle credits*	IMF credits	Other credits*	True flow of funds*
Jan.-July	-278	+320	...	+45	-643
August	+369	-200	+518	+5	+46
September	+24	-100	+18	...	(+86)
October	-8	...	-100	-15	(+127)
November	+9	...	-50	...	+59
Aug.-Nov.	+394	-300	+386	-10	+318

* Some of these figures are taken as the mean within a small range of uncertainty.

seven months of the year. Since end-July, the actual reserves have risen by £394 million. The net amount drawn from the Fund is £386 million—£150 million of the original drawing of £536 million having been repaid—and some £300 million of the Basle credits has been repaid to Continental central banks, leaving only the £18 million that is to be funded into a long-term loan to Switzerland.

The pace of the reflux of funds has clearly been slackening—last Friday, December 1st, it clearly went into reverse. The margin on covered arbitrage between London and New York, on the basis of Treasury bills, has now virtually disappeared: the further rise in the New York bill rate, to 2 $\frac{3}{4}$ per cent this week, has not been accompanied by a narrowing of the forward margin. The rise in the bill rate was partly a result of the rise in permitted returns on savings deposits in the United States, described on page 1026. This had little effect on the market in Euro-dollars, as it affected only those foreign time deposits of six months or more. Most deposits in Euro-dollars are for three months or less. The rate this week hardened a shade, to 3 $\frac{1}{2}$ - $\frac{3}{4}$ per cent. The rise in United States deposit rates, certainly had a psychological effect, encour-

aging some operators to ask whether this was a forerunner of a general liberalisation of Regulation Q. The market in Euro-dollars is still active, based essentially not on any speculative grounds but on the relatively wide spread between lending and borrowing rates maintained by United States banks on their home ground.

STEEL

Retrospect and Prospect

DURING the twelve months to the end of September crude steel production was only just over 1 $\frac{1}{2}$ per cent lower than in the previous financial year of most companies in the British steel industry, but between March and September output was 11 per cent lower than the rate during Consett's 1960-61 financial year, which unlike the rest of the industry ends in March. This different time pattern might explain Consett's sorry half year, reported this week; but it may not fully explain the fairly bad results from United Steel and South Durham in the year to September 30th. Both of these companies may have done worse than the average. It seems likely that rising costs in steel production, particularly through increases in coal and fuel oil prices, will have reduced margins throughout British steel-making: but within the general pattern some companies will obviously have done better than those reporting this week.

The financial year ended September 30th was made up, for this industry, of a prosperous, or at any rate highly productive winter, and a summer in which output fell rapidly away to an operating rate more than 20 per cent below capacity. Output in the winter was high partly because up to the spring stocks of finished steel in the hands of consumers and merchants were rising. Indeed, over the financial year of the bulk of steel companies there was still a rise in steel stocks: these were higher at the end of this September than September, 1960.

It cannot be said, therefore, that consumers were using more steel than the industry managed to sell during the year in question: actual consumption in this 1960-61 period indeed seems to have been lower than in the preceding 1959-60. The stocks at end-September again represented about 12 $\frac{1}{2}$ weeks' supplies for the whole steel-consuming economy. All that the industry has encountered so far, therefore, is a cyclical reduction in stocks. If it were now to meet a once-for-all adjustment in stocks to a more economical level, as has happened in the United States, and steel consumption were to go on falling as it has done now for more than a year, the steel-makers could have a yet more comfortable two months before the

29/47

IMF PLAN

En Principe Again?

THE plan to supplement the resources of the International Monetary Fund which was officially agreed in principle in Vienna two and a half months ago is having a difficult birth. Dr Jacobsson's hope that the detailed formulation of the plan could be left to the executive directors in Washington has not been fulfilled; the reservations felt by Continental countries have been significant enough to necessitate continuous reference back to governments. Effective progress has in fact been confined to the international gatherings in which finance ministers and central bankers have found themselves together. The meeting of OECD last month, which brought Dr Jacobsson to Paris, provided the first such occasion; last week's meeting of finance ministers and central bankers of the common market countries provided another; and this is to be followed next week by the monthly meeting of the Bank for International Settlements in Basle and a meeting of the finance ministers of Nato countries in Paris. United States officials hope that by this Paris meeting the finance ministers might be able to initial the heads of agreement of the scheme—which would bring it just within Dr Jacobsson's target date of December 15th. But it is virtually certain that agreement on the final form will take a good deal longer. Meanwhile the Fund's holdings of common market currencies at end-October was no more than \$775 million. The United States quota is \$4,125 million.

The main argument since Vienna has been on the degree to which the countries that take up new commitments to give stand-by credits to the Fund should retain formal and separate control over the activation and use of those credits. The Continental countries, and in particular the French and the Dutch, have throughout been reluctant to integrate these new facilities fully into the Fund. Dr Jacobsson and the United States—Britain seems to have made no effective contribution in this argument at any point—have urged strongly that while the creditors should have every reasonable safeguard, this should be given through the normal machinery of the Fund. It is still not clear who has won this battle on where the power should lie.

IN THE MARKETS

Another Jolt

ON Wednesday, equities fell more in a single day than at any time since the beginning of August. The rally in the week before had been a timid affair and failed to survive the weekend. Prices began to fall under the steady pressure of selling on Wednesday over the shock of no interim dividend from Consett Iron they

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dropped sharply; the *Financial Times* index lost 5.1 points to 289.9, its lowest point since the end of October, and over the week to Wednesday's close *The Economist* indicator lost 9.6 points to 347.3, which is less than 5 points above the year's low recorded in the middle of October. This new attack of nerves was caused by the steel companies' results. Investors were well prepared for lower profits and, indeed, only a week earlier had begun to wonder whether some of the earlier prognostications had not been just a little too gloomy. But the Consett decision and the reduction in South Durham's dividend dispelled such illusions.

The fall in profits, in steel and in other sectors of British industry, is a factor with which the stock market has had to live for months. But, however much share prices discount company results ahead, their actual publication can sometimes come as another blow to confidence, especially when the market is worried, as it now is, about the future of the economy and of sterling. The electricity wage award and now, this week, the wage increase granted by British Oxygen have pushed the prospect of relaxation of the official restrictions further ahead into the distance. Already the market is beginning to wonder how tough a budget it will be in the spring.

This has had its effect on gilt-edged stocks as well as equities. No one this week seemed to be prepared to buy gilt-edged—not even the very short dated bonds—and the prices of all maturities drifted down. This came as something of a blow to the authorities' attempts to groom the short end of the market in preparation for a conversion issue. As a whole the new issue market, in comparison with its activity in the autumn, has been quiet; the fact is that there is not much money available for investment and lenders call the tune. The Industrial and Commercial Finance Corporation was able, it is true, to place this week £4 million of a 6½ per cent debenture, 1981-84, but the stock was issued at 94, which was a sufficient discount to attract net funds. The issue offers a flat yield of nearly £6 13s. per cent and a redemption yield of nearly 6½ per cent.

CONSUMER SPENDING

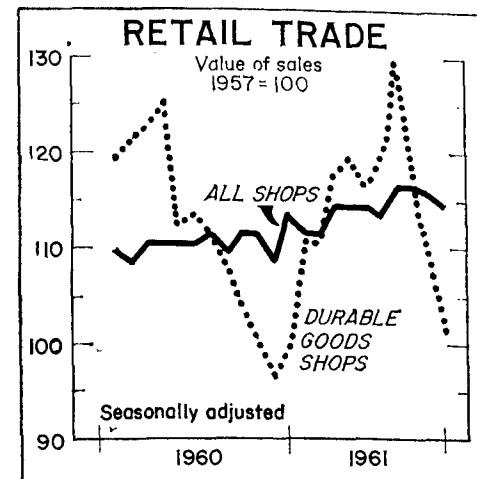
Levelling Off

SPENDING in the shops continued to decline in October but prices fell also. According to the Board of Trade's final estimates of seasonally adjusted sales (1957 = 100), the value fell from 116 in September to 115 in October but the volume rose from 110 to 111. Rounding off to whole numbers, however, has exaggerated the movements; more accurately, turnover fell by half a point and volume rose half a point. Purchasing was brought back, not to the record level of July, but to the average level of the third quarter. Compared with a year earlier, people were buying 4 per cent more

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food but only about the same amount of clothing, durables and other shop goods.

Durable goods shops expect their business to go up in October but this year the rise was less than usual and the seasonally adjusted index of this kind of business fell a further five points; this was, however, a smaller decline than in the two previous months. Credit sales of household goods shops were even further below their July peak than the total business of these shops, although they were one per cent higher in value than a year before, the same as the margin in total sales. Outside ordinary



retail trade, credit business recovered a little in October but nevertheless total instalment debt fell by £11 million over the month. Figures collected by Hire Purchase Information show that hire purchase sales of new cars rose in November by 226 to 9,469. This was a larger number of contracts than were made last year; but credit sales of used cars were some 8,000 short of the November, 1960, figure. The effect of the credit squeeze on spending may well by now have come to an end. But there seems no indication that food retailers are losing any of their extra custom.

PROFITS AND DIVIDENDS

Sideslip or Tailspin?

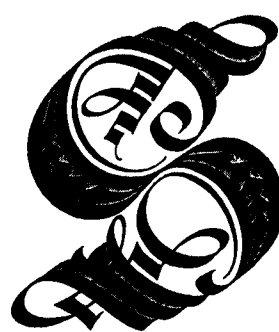
PROFITS of 236 companies reporting in November were dominated by the experience of the motor industry and its suppliers in the financial year to the end of last July. This motor group included BMC, Rootes, Rover, S. Smith and Joseph Lucas, and its trading profits fell by over 37 per cent; it is not surprising, therefore, that the trading profits of all the companies fell by nearly 10 per cent. Of the other industrial groups with a weighty influence on the November profit figures, iron and steel and electrical manufacturing showed a slight improvement, thanks respectively to the good results of Tube Investments and EMI. Brewing profits were also higher, reflecting the rise in beer consumption and increased beer prices. But the profits of the

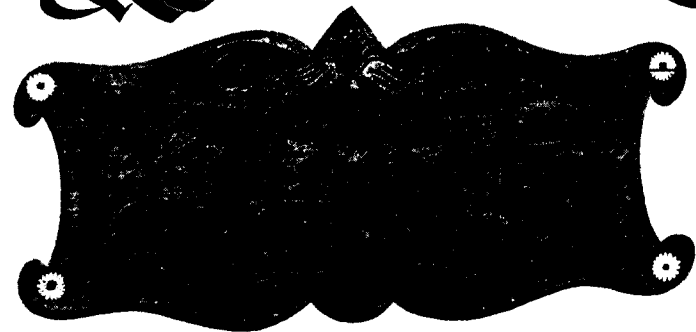
ANYWHERE IN THE WORLD

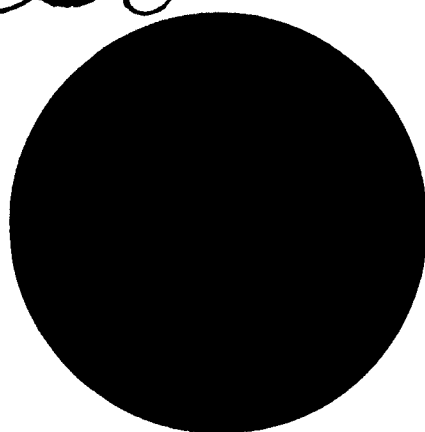
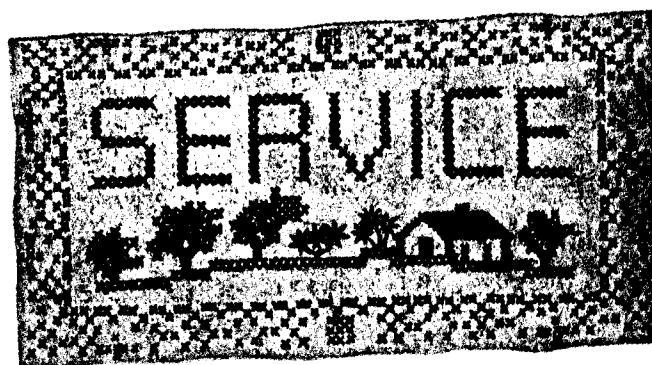
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Stockton Glasgow
Middlesbrough
Hull Paris
Montreal Melbourne
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widely spread engineering group were a little lower and so were the profits of the chemical group, in which Fisons reported smaller earnings and Glaxo bigger ones.

These results, for a single month and dominated by the particular experience of the car industry, afford only limited ground for comparison between the fall of 10 per cent and the rise reported in October and in the quarter that ended on September 30th. But, as the stock exchange is well aware, profits of British industry as a whole are sliding down. It is particularly disturbing for investors that heavy depreciation provisions, reflecting the installation of new

PROFITS AND DIVIDENDS (£ million)

236 Companies reporting in November	Previous year	Latest year
Trading profit	224.3	202.7
Gross profit*	171.5	145.5
Net equity earnings*	79.9	65.8
Net ordinary dividends	33.9	35.0
Times covered	2.4	1.9
Net equity assets	810.7	885.6

Gross profit/net assets

* After deducting non-recurring credits.

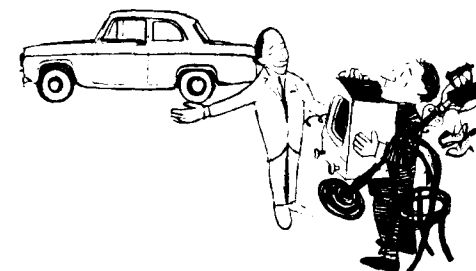
equipment in earlier years, and the continuing high rate of tax, affected in the latest year by the increase in profits tax, are whittling down the amounts available for distribution. Thus in November a fall of 10 per cent in trading profits works its way through to a fall of 15 per cent in gross profits before tax and then to a fall of nearly 18 per cent in net equity earnings. Ordinary dividends, paid on more capital, were slightly up and, as a result, the earnings cover came down with quite a bump. Restraint, even without the Chancellor's request, has to be the order of the day, especially for companies with investment plans still to complete. For the longer term, no less worrying is the further evidence that the rates of return on capital employed continue to fall. Because of the under-utilisation of capacity in the motor industry, the decline in these returns in November is probably sharper than the average for British industry; but no investor can look at these industrial averages without concern.

MOTORS

Low Sales, Higher Prices

FORD's decision to increase the price of its cars by from £6 to £17 is oddly timed. Sales on the home market have now been depressed for three months running. November seems likely to show the same sales as October, about 43,000, while December is traditionally the worst month of the year. And Ford has seen its share of the market fall since the summer, when it was getting over 30 per cent of sales. The growing popularity of the BMC baby cars has eaten deep into the sales of the Popular and is eroding those of the Anglia. In September the Minis accounted for nearly a fifth of all the cars sold in

Britain and about half of BMC's sales; their sales had risen by more than a fifth since September, 1960, while those of the Popular seem to have fallen by nearly two-thirds. And if one takes the Anglia and its BMC counterparts, the Austin A40 and Morris Minor 1000, their sales together fell by nearly 40 per cent over this year. The Classic has saved Ford from a serious fall in sales. Some 2,000 were sold in September, more than an eighth of the medium-sized car market.



These changes in the car market explain why one Ford dealer, Zenith Motors, is offering to take anything in part exchange for a Popular—the sort of indirect price cutting that most British dealers abhor, though makers welcome. It also explains why BMC was so anxious to make its baby cars more profitable, whether by straight price increases or by introducing its more expensive versions; and why the workers making the Minor 1000 body are now on short time. But the situation makes the Ford price increases all the harder to understand. What they mean as a measure of the pressure of costs on car manufacturers this year has also been seen in the BMC results. This makes the arguments for higher margins strong enough to override fears of losing more sales.

ADVERTISING

Expenditure Falts

ANXIOUS enquiries from advertisers, it appears, have brought reassurances from the commercial television companies that any proved reduction in audiences as a result of the current actors' strike will be matched by a reduction in "spot" rates. The Television Audience Measurement figures (which appear with a timelag of about a fortnight) at present show a downward shift in the popularity of a number of ITV programmes, but this is so far held to be due to other factors, such as changes in timing of programmes, rather than to any state of emergency in Ward 10.

Compensation for fluctuations in the size of audiences is a principle already recognised by some television companies, who offer rates "per million homes reached"—calculated according to the subsequent TAM-rating for the period of the commercial concerned. TAM has the advantage of exactitude within its known limits—it records the times when a small but "typical" sample of sets are switched on

and off, but of course offers no guarantee that all members of these households have actually looked at any particular commercial. And advertisers are beginning to become more conscious generally of the snags involved in reaching any given section of the public. More thorough techniques of audience research are slowly being evolved—the very word "audience" may be an over-statement of the degree of advertisement awareness of some TV-owning households.

This more sceptical attitude may partly explain why the still increasing sums spent on television advertising have begun to level off. In the third quarter of this year, according to the *Statistical Review of Independent Television Advertising*, 24.7 per cent more money (a total of £20,239,000) was spent by TV advertisers compared with the same three months of last year, but nearly half this increase was accounted for by the tax on the revenue of the programme contractors—which has been passed on in its entirety to advertisers. Setting aside the tax, the increase was 12.7 per cent—whereas the increase of this period in 1960 over the previous year was 34.1 per cent. With ITA's coverage now not far from complete, on the present network at least, further increases in TV advertising expenditure will soon depend almost entirely on increases in rates charged. With TV-ownership nearing saturation point, these are not likely to go up with the steep steps of earlier years.

The slackening in the rate of increase on the television side is coupled with an actual decline in press advertising, which has been in progress since the second quarter of the year (comparing each quarter with 1960). Advertising in the press in July, August and September cost £27,983,000, a 3 per cent drop below the same months of 1960. If these tendencies continue it is doubtful whether the total spent on all kinds of advertising will reach the record £500 million forecast for 1961.

FLOUR MILLING

Getting Together

OLIGOPOLY is a fair description of the present state of the flour milling and baking industry, which since the scramble by the millers to tie up distributive outlets under their own control has become increasingly dominated by the big groups, which include the Co-operative movement as well as Ranks, Associated British Foods and Spillers. It is not surprising, therefore, that the biggest miller, Ranks, is to merge with the fifth biggest, Hovis-McDougall. The two undertakings are complementary in the sense that Ranks is an unspecialised miller with a large number of retail outlets under its control while Hovis-McDougall is a specialised miller whose branded products sell throughout the baking and grocery trades and which possesses few retail outlets of its own. The two groups obviously sense the possibility of economies in dis-

tribution and production and hope for more rapid growth in combination.

The fact that the merger has been prompted by trading reasons is reflected in the terms. Ranks offers three ordinary shares for every five Hovis-McDougall ordinary shares and one 6 per cent preference share for one Hovis-McDougall $5\frac{1}{2}$ per cent preference share. As Ranks ordinaries stand at 28s. 9d., the value imputed to Hovis-McDougall of 17s. 3d. which offers little advance on the pre-bid price of 16s. 6d. But, as the directors expect to be able to pay 14 per cent on the enlarged capital, ordinary shareholders in Hovis-McDougall gain a third in income. They will own about 35 per cent of the combined equity though Hovis-McDougall will contribute initially no more than about 27 per cent of the combined equity earnings. But this may not be an unreasonable price for a big miller to pay in order to get bigger.

GAS

A Simpler Way

IF the British gas industry wants to store gas underground it needs, as was mentioned in these columns last week, a private bill to do it. This means, simply, that after a long time the law of capture has come home to English soil. This law, which in passing has done huge and enduring harm to the efficiency of the development of oil production in the United States, derives from rulings in British common law that whatever flees to and is found on—or under—the property of any landowner belongs to him. These rulings, adopted since 1889 in the United States, have been interpreted to mean that petroleum belongs to the landowner under whose property it happens to be found, regardless of where it may have come from. Oil is fugacious (which means it flees) like game; it crosses the frontiers of ownership without noticing. So, for that matter, does gas.

What this implies is that if the Gas Council finds an aquifer—which the late James Thurber would probably have called a dome-shaped thing underground with water coming in the bottom—empty enough to store a lot of gas, it has to be careful that storing it will not mean giving the gas away. As the state of the law stands, it might have to purchase all the land above this aquifer in order to acquire legal right to all the gas that it pumps underground. As the law stands, too, anyone who owns land above this storage who is ornery and perspicacious enough to drill his own well down can have the gas underneath his land free; indeed, he would own it, even if the gas board only pumped it down yesterday. Landowners in the area have been informed of the gas industry's proposals; they may not have been informed of the rights they will be expected to give away, even if these rights are worth nothing as yet.

Because the oil under your neighbour's

property is your own oil if you can tap it under your property, hundreds of thousands of unnecessary oilwells have been drilled in the United States during the last seventy years. This offset drilling has wasted much of the production that might economically have been achieved from many American oilfields. The property rights that brought this about eventually made necessary an elaborate system of state control of oil production in the United States, which nowadays has to be backed by an equally elaborate system of import restriction in order to keep America's oil industry viable (indeed pretty profitable). It has moreover given employment these many years (which should be enough justification for any law) to General Ernest O. Thompson of Amarillo and the Texas Railroad Commission. Against this colourful background of history, the approach of a British nationalised industry to this legal situation can only be described as insensitive, if not brutal. It finds the British common law of capture inconvenient. So it simply plans to change it.

EXPORT FINANCE

More Kites

FURTHER pointers to a new move on export finance have been discernible in the past ten days. In the House of Lords debate on the routine Export Guarantees Bill on Thursday of last week, Earl Waldegrave, the Government spokesman, referred pointedly to "the most active review" that is proceeding within the Government:

I am advised that the matter of an Export-Import Bank, of a financial institution, of financial credit and of varying rates for export finance, are very much under review at this moment and in the light of what other countries are doing.

The second pointer was to be seen at the conference of exporters at Eastbourne, where Mr Macartney-Filigate of Lazards mooted the possibility of a fixed rate on bank finance for exporters, to help them quote fixed terms to their customers. This question is now being considered by the clearing banks, as well as by the merchant banks, and it seems that it is not necessarily dependent on concomitant fixed rate facilities for the banks themselves at the Bank of England—though the project will of course be discussed with the Bank. If the clearing banks did decide to give exporters this facility the level of the fixed rate seems likely to be between 5 and 6 per cent. This would be rather above the average of the past few years, but in present circumstances many people would think it helpful for the exporter.

The third indication of moves afoot may be seen in a change at the Export Credits Guarantee Department, where Mr L. J. Menzies has been replaced as secretary by Mr A. E. Percival, hitherto an under-secretary in the department. Mr Menzies, who was seconded from the Bank of Eng-

land in 1958 for a temporary period while the new administrative status of ECGD was being run in, is now returning to the Bank as an adviser—with special responsibility for export finance. Mr Menzies is personally believed to favour a new export finance corporation, though no doubt his inclination would be for a body set up and financed by the existing City institutions themselves. The danger in this course, as the experience of ICFC, CDFC and the rest shows, is that the shareholders will quickly neglect their charge. The Government should not close its mind to an independent institution able to borrow in the market with gilt-edged status or if need be direct from the Government. The important thing is not the ideological colour of the financing channel but to get the money into it.

SOUTHERN AFRICA

Insiders' Confidence

THIS week Dr Verwoerd and Sir Roy Welensky collected more than just rain in their caps. South Africa has received two ten-year loans equivalent to £9½ million for railway and electric power developments from the World Bank, and a loan of £3½ million for a period of two years, with the possibility of one year's extension, from the Deutsche Bank. On Thursday the South African Reserve Bank felt able to cut its Bank rate from 5 to 4½ per cent, reversing the move of last May. The Federation of Rhodesia and Nyasaland, in turn, is to receive a loan of £5.1 million from the Anglo American Corporation and another of £4 million from the British South Africa Company.

Sir Roy has described his loans as demonstrations of "confidence in the Federation," as in a sense they are. The demonstration would have been still more impressive if the money was coming from outside the Federation. Sir Roy is, in fact, funding the Federation's debts. The loans made by both companies for the Kariba dam project will soon start maturing and the BSA loan is deliberately designed to cover its maturing bonds. The Anglo American loan of £5.1 million, while not tied directly to the maturing £10 million lent for the Kariba project, will nonetheless help to meet it, spread as it is over thirteen years.

South Africa's reserves, which this week reached £124 million, have already benefited from a current account surplus that is expected to reach £85 million this year against £11 million in 1960. The loans will give them another boost. However, the Deutsche Bank loan is basically a medium term credit, roughly parallel to a £3½ million loan made by a group of Italian bankers in October, and the World Bank loan is decidedly on the short side. The republic's financial headache is unlikely to be solved by these short-term palliatives. But like Sir Roy the South Africans are successfully keeping the wolf at bay: Dr De Kock,

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governor of the Reserve Bank, has said that a substantial portion of the £50 million of external debts maturing in 1962 "will be covered by renewals or new loans."

VISCOUNT AIRLINER

Red China Chooses

IT is possible to read too much into the decision of Red China to buy six Viscount airliners from the British Aircraft Corporation for perhaps £4 million; even so, it ranks as one of the most surprising developments of the year in civil aviation. Negotiations began in August, with the Chinese showing a marked interest in the Vanguard airliner which had by then gone out of production. BAC salesmen managed to steer them away from this and back to the Viscount, which had the great advantage from the Chinese point of view of being a fully proved and still reasonably modern design. Talks ranged from as few as five to as many as 50 aircraft, and BAC is still unsure whether the order now signed represents a trial batch or if it is all that the Chinese have decided they can afford.

Throughout the talks, no indication was given of where the Chinese intend to fly the aircraft or what kind of performance they wished of them. The only airport the Chinese serve outside the Soviet block is Rangoon, and the development of internal air services takes precedence over international links with Moscow and Korea. The backbone of the present Chinese fleet is the Soviet-built, piston-engined Ilyushin 14 holding a maximum of 30 passengers; this presumably is the aircraft that the bigger, faster Viscounts are intended to replace. The Chinese also have a fair number of Soviet-built equivalents of the DC 3, and a few of the new turbo-prop Ilyushin 18s. These aircraft are roughly equivalent both in looks and performance to the big Lockheed Electra and like that aircraft seem to be having considerable teething troubles. These teething troubles might have prompted the Chinese to look outside Russia for new aircraft. But it seems more likely that they have not so much openly snubbed the Soviet aircraft industry as gone abroad for a particular type of aircraft for which there is no Soviet-built equivalent. China is not the first communist country to have shown interest in the Viscount, but sales have usually foundered on the question of payment. But whatever the motive, Peking man seems to be behaving remarkably like Economic Man.

SILVER

Off Stage

As expected, much of the excitement surrounding the cessation of sales of silver by the United States Treasury has

already evaporated. Producers who were withholding silver from the market have released some of it, but most of the many speculative purchases made in the busy months before silver won its freedom have obviously not yet been undone. Business in London is said to be less than overwhelming, though many people are evidently keen to be kept informed about prices. On the whole, prices have increased only fractionally since last week: spot silver in London strengthened to 85½d. a fine ounce (well below the peak prices paid last week); in New York the price was raised on Wednesday from 100¼ to 101¼ cents an ounce.

Until the existing tax on transfers of silver is repealed, speculative transactions in the United States are inhibited. It is now known that on the night that official sales of silver were suspended the US Treasury's "free stock" comprised 29 million ounces. It was thought that it would take about nine days to meet the Treasury's remaining commitments to sell silver which will reduce this stock to 22 million ounces. According to the US Treasury the world is "currently consuming" more than 300 million ounces of silver a year for industrial, artistic and coinage purposes. Production is said to be 235 million ounces and the "gap" judged to be about 65 million ounces, which will now be narrowed by suspension by the US Treasury of the minting of newly mined silver.

INDEPENDENT AIRLINES

Winter's Chill

BRITISH EUROPEAN AIRWAYS has made it known that the corporation intends to appeal against at least some of the new routes awarded last week by the Air Transport Licensing Board to three of the bigger independent airlines. This spells several extra months of uncertainty for their managements before it becomes clear how much competition the Government intends to permit in the air. The number of airlines in a position to provide that competition is rapidly dwindling. The alarming feature about recent failures among the smaller airlines is that those which have gone out of business this winter were operators of regular scheduled services, and might have been expected to have a broader basis than those depending exclusively on what they could pick up by way of holiday and charter business. Last week another small scheduled airline, BKS Air Transport, asked for the appointment of two managing receivers.

There is a good chance at the moment that the biggest creditors of BKS, namely the banks and the oil companies, will be prepared to help the company over its present bad patch until next summer when traffic can be expected to pick up. A feeling persists that the troubles of BKS and other

small airlines already out of business might be non-recurring, because they arose partly from sharp price-cutting last summer by airlines that are now dead, and partly from delays in getting licences for next year's holiday traffic while the licensing board investigates in once-and-for-all detail each applicant's resources. It remains to be seen whether all the creditors also see matters in the same light. It may be possible to solve BKS's short-term difficulties; but in the long term neither this nor any other airline of similar size can acquire stability without resources bigger than they are likely to earn from day-to-day profits. Either these small airlines will have to find backers, though on a less ambitious scale than the backing given by the shipping companies to Cunard-Eagle or British United Airways; or they will have to merge among themselves and achieve greater efficiency by doubling up their operations.

UNIT TRUSTS

Attracting the Trustees

IN his statement to the second annual meeting of the Association of Unit Trust Managers this week, Mr Kenneth Cole, who has succeeded the late Sir Oscar Hobson as chairman, pointed to the increasing interest being taken in unit trusts by trustees. This follows the inclusion of unit trusts among the wider range of investments as defined in the Trustee Investment Act, 1961. It may well be part of the reason for the notably good performance by the unit trust movement in recent months with sales of units regularly exceeding repurchases in the face of a decline in share prices. But clearly the surface has so far only been scratched for trustees are in no hurry to enter the equity markets at the moment.

Now following the example of the M & G group, Unicorn Securities has launched another trust fund specifically designed for trustees. A feature of the new Intrust Fund is the close link between the managers and the trustees, Royal Exchange Assurance. The latter has a long experience in trust administration and it will be brought in as a consultant on the fund's investment policy. Initially about 25 per cent of the portfolio will be in preference shares and the rest in equities, with about 18 per cent in overseas companies in which direct investment is not permitted by the Trustee Act. The portfolio is designed to provide potential income growth for life tenants while providing stability and long-term capital growth prospects for the remaindermen. At the initial price of 20s. the estimated gross yield is 5 per cent. Not surprisingly the initial investment of £500 is much larger than is usual in a unit trust. It seems clear that one of the early purchasers of the units will be the Royal Exchange Assurance, as it regards them as suitable investments for some of the trusts it manages.

CHEMICALS

Poison on the Farm

THE report* of the special committee set up to investigate the repercussions of using toxic farm chemicals is disturbing. It is not frightening in the sense that it uncovered any major threat to health that was not already known and guarded against. What is disconcerting is to read laconic accounts of chemicals used for a year or so and then passing out of favour because they were too dangerous to handle (i.e. inconvenient to use) or killed too many other

* Toxic Chemicals in Agriculture and Food Storage. HMSO. 4s. 6d.

BUSINESS NOTES

things besides the pest they were intended to combat. Surely these drawbacks could have been discovered before the chemical was put on the market and not after?

Lack of evidence on the side-effects or the long-term results of the new and ever growing list of chemicals used on the farm against diseases, weeds, insects and animal pests is another disturbing aspect of the report. It also happens to be the most difficult aspect of these chemicals to investigate. Much sympathy will go to the authors' suggestion that it is the lazy farmer who gets the chemist to do his dirty work for him; good husbandry, proper cultivation and crop rotation, and careful selection control pests better than any dressing or spray can do, and they never grow immune

Lessons from Eastbourne

THE main conclusion that emerged from the gathering of industrial top brass assembled by the Export Council for Europe at Eastbourne last week was that there are opportunities for expanding British exports in almost every country of western Europe. In the third quarter of this year exports were 20 per cent higher than a year before; from the talk at Eastbourne there seemed little doubt that similar growth is possible next year. Whether in the virgin markets of southern France, where British goods are virtually unknown because of past quota restrictions, or in the fiercely competitive Swiss market, or in western Germany where British goods are already making great headway, the chances are there for those who seek them. And with the possibility that tariffs between Britain and the Continent will fall by 50 per cent at the end of next year, the time to get a foothold is now.

Two other themes were also a constant accompaniment to this *leitmotiv*. Agents are not enough; the way to get and keep markets is for top management to go there regularly. Markets and products must be selected, too. For the small firm in particular—the message came again and again—an intensive effort on a first-class product in a single market can be more rewarding than a weaker effort on a broader front.

Not all the messages of the Eastbourne gathering were as clear as this. The irrepressible Mr Stanley, chairman of Pye Radio, appointed himself a kind of censor of other people's export subsidies. He was particularly pungent on the subject of Italian and Irish ones (Mr Stanley has factories in both countries, so he knows). Wisely it was agreed that the remedy was not to ask for more export subsidies here, but to get the Government to attack other people's. But even this is not so easy in the case of west Germany's rebate on turnover tax, the cause of much debate. In general this is equivalent to the exemption

from purchase tax which British exports enjoy; but in certain cases more turnover tax may be refunded than has been paid, and then rebate becomes subsidy. The only final solution to this kind of problem appeared to be a harmonisation of indirect taxation—a remote prospect.

Industry, however, is also concerned with another kind of national difference—the appalling problem of varying standards which arose in the discussion of almost every industry at Eastbourne. British television sets have made small headway—despite being first on the scene—because the Continent uses 625 lines instead of 405. Trade in household electrical appliances is cramped by the fact that every single Scandinavian country has different safety regulations. Regulations for heavy electrical plant and transmission equipment are different, too. Trade in food is restricted by varying health regulations on colouring. The low British rail gauge limits the entire export trade. All this is quite apart from language and the vast problem of metres *v* feet and inches which touches every industry.

Most revealing of all the discussions at Eastbourne was that on transport. Road transport and aircraft came out relatively well. But there were ferocious attacks by traders and industrialists on the older organisations—the railways, the ports and the customs authorities. One importer from Hamburg delivered a formidable attack on the Port of London bottle-neck, pointing out that the delivery of orders often took 24 days compared to ten in his grandfather's time. The shortage of rail trucks suitable for carrying exports to the Continent—a handicap known since 1947—was the subject of another bitter attack. And it became clear that one important factor in the congestion at British ports is the fact that goods often have to wait—perhaps for days—until documents arrive to be cleared by customs. No Continental customs authority inflicts the same disability on its exporters.

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to these measures. As an alternative, the committee suggests a long list of investigations required into the side effects of lavishly blanketing soil and plants with chemicals that must be powerfully lethal if they are to destroy organisms that are exceedingly difficult to kill. But this research will be slow and expensive; and there seems in the meantime no alternative to the old trial and error process that has at least pushed into limbo some of the most objectionable of the chemicals introduced in the fifties.

CANALS

Closing Them Down

THE latest round of canal closures has now come before Parliament for approval, at the same time as it is considering the Transport Bill. The bill does not end the legal obligation to maintain canals in navigable condition, which now rests on the British Transport Commission and will under the bill descend on the Inland Waterways Authority. It will still need parliamentary approval for any closures it may wish to make. But the authority will be given a breathing space in which to consider the canals it wishes to close; until 1967 it will be spared judicial proceedings—to which its legal obligations now make it liable—requiring it to make navigable any canal which is now unnavigable but has not been closed. In the next five years it will have to work out a policy for closures which will stop the losses on canals—now £600,000 a year—for it, like the railways, is supposed to be turning itself into a profitable undertaking by 1967.

This might seem a relatively simple proposition for canals; on the face of it, all that needs to be done is to close the five-sixths of the canals that now lose money, and retain the sixth that show a profit—one of £164,000 in 1960. But the profit from these canals has been falling steadily; it was £375,000 in 1955. And there is no more redoubtable lobby than the Inland Waterways Association, which will fight to the death any proposals that would deprive its members of their right to sail over otherwise deserted canals. Canals are physically more difficult to shut down than railways; often they serve as drains or water supplies for farmers, so a closed canal has to be kept water-tight—even if locks can be replaced by weirs and bridges by culverts. But water can be sold, or canals themselves sold for use as reservoirs; the Inland Waterways Authority will have the power to do its best to exploit such new uses for them.

COTTON

Under Review

PRICES of raw cotton have not changed much in the past few months, but buyers' attitudes to them recently under-

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status symbol

A year ago a new symbol made its appearance on the industrial scene—the emblem of Engineering Finance Limited. It heralded a new method of financing major items of industrial equipment over a period related to their useful working life.

Since then EFL has helped many companies to improve their competitive status—some by comparatively modest re-tooling exercises, others by big-scale development projects running into six figures. For all of them, this new method of machine life finance has meant that they are better able to meet the challenge of competition, at home and abroad, now and in the future. If you have a re-equipment problem perhaps Engineering Finance can help you too. We will be pleased to send you a booklet giving fuller details.



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went a significant revision. Succeeding estimates of the United States' cotton crop raised its likely level; according to a recent forecast by the United States Department of Agriculture, the current crop at 14½ million bales was expected to be about 200,000 bales higher than last season's. American consumption was expected to rise to 8.8 million bales but exports to fall rather precipitately to 5½ million bales. The carryover at the end of the season would therefore increase by 400,000 bales to 7.6 million bales. But frost intervened at the end of November when the movement of the crop was progressing well and enlivened dealings in raw cotton in Liverpool. Spot supplies of American 1-inch cotton rose 10 points to 24.20d. a lb; the price had been unaltered since the spring.

American exports of raw cotton have been losing ground to so-called "outside growths"—exports from Middle Eastern, African and Latin American countries. One extreme view is that if the United States continues to subsidise its raw cotton exports to the tune of 8½ cents a lb it will gradually lose all its market to these competitors; if it does not do so prices will rise sharply and it would lose its markets even more rapidly. Its own cotton manufacturers who pay the high unsubsidised domestic price for raw cotton are at a substantial disadvantage when competing with imported cotton manufactures. When countries such as Spain get American cotton on favourable terms, the case against exports of cotton manufactures from those countries to industrialised countries like Britain who have a sick manufacturing industry of their own to protect is strengthened. Last week Britain negotiated a "voluntary" reduction in imports of Spanish cotton.

The American cotton manufacturing industry wants duties on the raw cotton content of imported manufactures to compensate for the higher domestic price. Japan and Hongkong naturally object to this proposal. Since the price support programme for cotton growers in the 1962-63 season has not yet been settled, and it has been suggested that supports and export subsidies might be lowered, or cotton left to find its own level, the present American policy can fairly be accused of causing considerable dislocation and confusion. But thanks to a fall in production outside the United States, particularly in India, Mexico and Egypt, America's hold on the export market might be strengthened this season, despite a possible reduction in demand by consumers. Egypt's crop of long-staple cotton has been so severely nibbled by leaf worm that new supplies will be reduced by about one third and fears of a large surplus of long-staple cotton have been dispelled. Prices have not risen far, but are strengthening. The irony of the present situation is that Egypt which has been attempting to export more of its cotton direct to western buyers to lessen its dependence on the communist block has now arranged to import a large quantity of American medium and short-staple cotton.

NORTH ATLANTIC TRAVEL

Straws in the Air

THERE have been signs during the past two months that air traffic on the North Atlantic picked up noticeably once the summer holiday season was over, but experience varies too much between airlines to predict that business is back to the buoyancy that airlines consider "normal." Pan-American aroused optimism by announcing last week that during October its North Atlantic business jumped 30 per cent compared with the year before; Trans-World Airways showed a more modest increase of 8 per cent, and BOAC one of 14 per cent. The alarming feature of what would otherwise be a commendable performance by BOAC is the fact that the whole of its increase is accounted for by traffic between this country and Canada. The passengers carried between here and the United States were actually 1½ per cent fewer than the year before, and BOAC's traffic on this specific route shows a 13 per cent drop this summer and autumn compared with last. This is significantly worse than the out-turn for air traffic on this route as a whole, and a rocket is likely to be placed under BOAC's salesmen as a result.

The so-called "North Atlantic slump" cannot be taken on its face value. In the first place, it is not strictly a slump. Traffic increased by roughly 120,000 passengers, nearly 8 per cent, in the first nine months of the year, and was up more than 3 per cent in October, though the early indications are that November bookings may not have been so good. In the second place, the existence of "too many seats chasing too few passengers" need not of itself spell financial disaster. The outstanding feature of the big jets operated now by most airlines on this route is that they can fly half-empty and still show a profit. The airlines, when they put on so many extra flights this year, gambled on this aspect of jet operation; and if traffic had increased as they expected (it rose 25 per cent last year, so that 15 or 20 per cent this year would have been regarded as "normal") they would have shown considerable profit in spite of the empty seats. Excluding flights to Canada, where traffic has been good throughout the year, it looks as if seven airlines, Pan American, TWA, SAS, Alitalia, Lufthansa and the Irish and Israeli airlines may have been consistently carrying the kind of loads that should show them a profit—the two last airlines having done best of all. This is partly borne out by the good financial results reported by Pan American for the first nine months of the year; but not every airline runs a Cape Canaveral or owns chains of hotels so the comparison is not, perhaps, a fair one. Six other airlines, Air France, BOAC, Air India, Iberia of Spain, Sabena and Swissair seem to have carried too little traffic to break even; the Dutch airline KLM appears to have balanced on a knife edge. Unfortunately, many airlines rely on

North Atlantic profits to support other routes, so their budgets have gone with the wind.

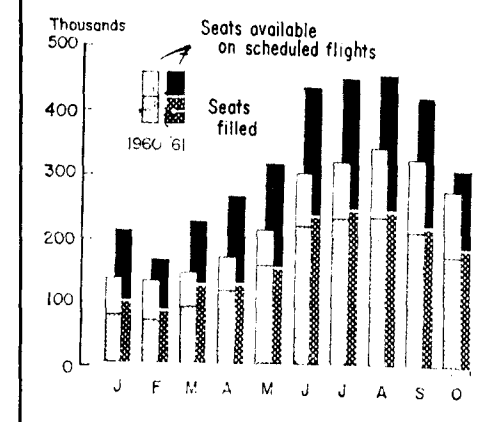
Less Bread on the Waters

A FURTHER sign of the decline in passengers crossing the North Atlantic by sea is the offer by Furness, Withy & Co. of the two passenger and cargo liners *Nova Scotia* and *Newfoundland* for sale. Built in 1947-48, these vessels each have accommodation for 62 first-class and 92 tourist-class passengers, and they give sailings every 17 days from Liverpool to St. John's, Halifax and Boston. Already their passenger accommodation has been very heavily cut, permitting a similar reduction in catering staff; but the eventual plan is to replace them with cargo ships that will offer a sailing every 14 days.

Earlier this year, it may be recalled, the Cunard Line sold its two intermediate passenger liners *Media* and *Parthia*, also built in 1947-48 and each carrying 251 passengers. The British lines are not alone in noticing diminishing passenger traffic, for United States Lines estimate a fall of 10 per cent in passengers carried this year. Undoubtedly a decline in immigration to Canada, and the official discouragement of foreign travel for Americans, have been special factors this year; but it still seems probable that air transport, with its low economy fares, is continuing to rob shipping on the North Atlantic of much of its traffic.

ATLANTIC AIR CROSSING

Bigger aeroplanes carrying proportionally fewer passengers have been operating on the North Atlantic route this year. In the first ten months there were about 10 per cent more scheduled passenger flights than in the same period last year whereas the seating capacity rose by 38 per cent to over 3 million. Although there were 7 per cent more passengers the proportion of seats sold fell from 67 per cent to 52 per cent.



The new *France* is due to enter service next February and Home Lines have ordered a new liner from Italy; but otherwise there are no plans for new passenger tonnage. The Q3 plan has been shelved, as have plans for the replacement of the 21-years-old *America* and the 43-years-old *Starangerfjord*.

Meanwhile, the North Atlantic west-bound liner conferences have announced a further increase in freight rates. They state that the 2½ per cent surcharge introduced on November 1 has proved inadequate to meet further rises in operating costs and that it will have to be succeeded by an upward revision of the tariff rates with effect from March 1 next. There has been a substantial increase in crew costs this year, and port charges continue to creep up with monotonous regularity; most liner conferences have increased their tariff rates this winter.

CENTRAL HEATING

The Cost of Warmth

ALL one can learn about the running costs of central heating systems is, for most would-be installers, what their friends are paying or what the Coal Board and the oil companies claim in their advertisements—though the oil companies have sensibly removed mention of running cost figures from their current advertising. A questionnaire answered by 588 readers of *Which?*, the Consumers Association paper, now provides an independent, if slightly indeterminate, answer to the problem. It confirms what even the oil companies had admitted, that coal is the cheapest fuel; but it does not substantiate all the claims that have been made. During the winter of 1960-61, Consumers Association members using oil central heating spent 13 per cent per square foot more than those using central heating by solid fuel, and gas cost 23 per cent more than oil. The cost per square foot of a house's floor area during "the heating season" was 8.5d. for solid fuel, 9.6d. for oil and 11.8d. for gas. There is no breakdown between anthracite and coke among the solid fuels, though the former is generally said to be significantly cheaper—about half the members replying used it. Neither are vaporising and atomising burners amongst the oil boilers differentiated, though the latter are more efficient. And no such survey can forecast exactly what anyone will spend, for this depends largely on the temperature he wants to maintain, and the value he places on fresh air.

The *Which?* survey throws up some of the troubles that no salesman mentions. Only eight per cent of those with solid fuel or gas installations complained of faults, but 26 per cent of the oil installations had given mechanical trouble. And the maintenance cost reported for oil was much the highest—an average of £6 5s. a year, compared with 17s. 6d. for gas and 12s. for

CONSTRUCTION

Up Today

CONTRACTORS did two per cent more building work in the third quarter of this year than they had done in the second, and eight per cent more than they had done a year before. But new commissions received by private architects in the same quarter, though roughly the same as those of the previous quarter, remained nine per cent lower in value than those obtained a year before. So a fall in building activity next year remains a possibility. Commissions for private house building showed the most significant fall, suggesting that tight credit and costly land have ended the boom here. The biggest rise came in commissions from local authorities, especially those for non-residential building. The amount of such work completed also rose; despite high interest charges, local authorities obviously feel they can afford to build more.

solid fuel. Noise was a problem with 67 per cent of warm-air heating systems, and with 33 per cent of hot water systems. When the warm air circulates, it carries noises with it. Their most common source with both systems was oil boilers, followed by circulating pumps for hot water and fans for warm air. Complaints about the difficulty of getting supplies came mostly from users of solid fuel, and most of these related to anthracite.

Which? found that there was so much variation between different figures for the cost of installations that it was impossible for it to publish any figures on this most interesting item of costs. The range of the different charges reported by members was from £15 to £63 per square foot of floor space heated. One member quoted figures of from £500 to £1,000 for similar installations in his house. Installing central heating is something of a mushroom business; some people in it may be out for a quick profit. Clearly it pays to get plenty of estimates.

SHORTER NOTES

Several changes have been made in the top management of British Railways. Mr David McKenna, now assistant general manager of the Southern Region, is to become chief commercial officer at the British Transport Commission. Mr David Blee, general manager of the Midland Region, will retire and be replaced by Mr H. C. Johnson, general manager of the Eastern Region. Mr J. R. Hammond, general manager of the Western Region, succeeds Mr Johnson, and Mr S. E. Raymond, traffic adviser at headquarters, replaces Mr Hammond on the Western Region. Eight part-time members of the Area Boards will retire at the same time.

O. W. Roskill, the publishers of "Who owns Whom," the guide to subsidiary and associated companies in the United Kingdom, has now produced a continental edition which covers 1,070 parent companies and their subsidiaries in France, Germany and Italy; it is intended later to cover the rest of Western Europe. The price is £4 4s.

It has been pointed out to *The Economist* on behalf of the syndicate of financial institutions who will be financing the £10

million involved in the building of two methane tankers to carry gas to England for the Gas Council that the effective rate of interest over the whole, unstated, period of this financing will be less than the figure of 8 per cent that was suggested in our note late week. Part of the money will be advanced by the banks at a lower rate of interest over a shorter term than the 8 per cent on the preference shares issued by the ship owning companies to the other financial institutions; and the preferences will be redeemable over a period. The effective rate over the period of the financing, therefore, will be somewhat less than 8 per cent, though the institutions concerned are not prepared to say how much less. There remains little doubt, however, that the effective rate will be higher than the rate which the Gas Council, as principal, would have had to pay to raise this through Exchequer advances.

Mr R. T. Monier Williams, governor of the New River Company, has told shareholders that he does not consider the offer from Alliance Property, worth 55s. 6d. per share, to be high enough since it undervalues the estates of New River at current break-up values.

INVESTMENT SERVICES ON LATER PAGES

COMPANY AFFAIRS

Comments on pages 1075, 1076, 1077 and 1080 on:

South Durham Steel	United Steel	Conssett Iron
United-Hewitt	John Summers	Whitbread-Tennant
Arthur Guinness	Distillers	Watney Mann
Granada	Trust Houses-Lockhart	Gt. Universal Stores
Coventry Gauge	Wood Hall Trust	Longmans, Green
Thos. Firth and John Brown	John Smith's-Warwicks & Richardsons	

LONDON AND NEW YORK

Stocks, prices, yields and security indices on pages 1078 and 1079

LONDON STOCK EXCHANGE

The week's movements reported on page 1080

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1081

COMPANY MEETINGS

W. & H. M. GOULDING, LIMITED

The Annual General Meeting of W. & H. M. Goulding Limited was held on November 29th in Dublin. The following are extracts from Sir Basil Goulding's speech:

Once again I address Stockholders during a phase of exceptional movement within the Company's affairs: in recent years, indeed, the exceptional has become the normal. I am glad to add that the movement is still one of forward thrust, and that it is intended thus to continue over immediately coming years.

W. & H. M. Goulding Ltd. is now a Holding Company: the Cork fertiliser works is completed and paid for: so is the sulphuric acid plant of Sulphac Ltd. at Cork; both have finished a full season of operation: the Sulphac acid plant at East Wall, Dublin is constructed, mainly paid for and has entered production: the new Belfast factory, under construction in association with I.C.I., is on schedule for completion in mid-1962. These are the salient facts of action to report this year. These are actions of the kind which will be found essential to health in the international world soon to engulf Ireland.

PROFIT AND LOSS ACCOUNT

The Profit and Loss Account shows at its first legend the change in status of the Company, from Trading to Holding. Thereby the comparison of figures with those of the previous year cannot be made too precisely.

The Income figure of £166,000 (if I may speak now in round thousands of pounds) is moreover of a composition affected by the changed structure. It includes a last residual profit balance drawn from the Company which became Sulphac Limited, and also the first, but only interim, dividend from the Company's investment in Northern Ireland manufacture. On the other hand, dividends from fertiliser trading subsidiaries in the Republic, hitherto taken annually into the year of account already closed, have not been so taken this year, in order that for the future they will be available to the next succeeding period. In this matter, as in dividend sequence to which I refer below, we shall, therefore, have made a changeover to more usual and more flexible practice.

This brings me to the most pronounced financial effect of the Company's change in status, namely the release, as "Trade provisions no longer required" of an amount of £148,000.

The major part of the sum had been a Phosphate and Pyrites Suspense Account which had provided, while the Company was trading, a very necessary shock-absorber, as it were, against changes either in price or freight upon those raw materials whereof the imported ton-nages are so great that variances are thus so significant.

The need for such reserves remains, but inasmuch as the general revenue reserves shown by the Consolidated Balance Sheet stand in total at a high figure the Directors have felt that the provisions now freed need not be retained in the Parent Company.

After this meeting shareholders will thus be attending the Extraordinary General Meeting at

which will be proposed a resolution that £119,070 from General Reserve be capitalised and distributed to Ordinary stockholders upon the footing of one new Ordinary share for every £10 Ordinary Stock held at October 31, 1961. I do not here quote the resolution in full detail for it is already in your hands.

Lastly, on the subject of the Profit and Loss Account, stockholders will have read the Directors' Recommendation as to dividends for the year. I hope the short explanation as to the changes in practice which we are making will be found explicit; but would just reiterate, in case of any possible misunderstanding, that the total amount of 10 per cent paid from this year's accounts in three dividends is not a twelve-month rate of dividend, for it covers the additional interim period which had to be spanned in order to exchange for the future the payment dates of Interim and Final Dividends.

BALANCE SHEET

The Balance Sheet of the Holding Company is annotated so as to explain, as I hope, most points of substance. Of these the main changes are, first, that in place of Stocks the Company now holds, as its main Current Assets, Shares in and Loans to Subsidiary Companies: second, that the increase in the value of Investments and, contra, of Capital Reserves, derives from the increase (of £220,000) in the capitalisation of Sulphac Limited when it became the new acid-producing company; in the case of Capital Reserves there was also a contrary reduction (of £340,200) in respect of the share issue of July 28, 1960; third, that main Current Liabilities are now Loans from Subsidiary Companies in counter to the similar but opposite Loans referred to above.

The Consolidated Balance Sheet of the Goulding group of Companies displays one very marked feature, namely a change, as compared with last year, between Bank Balances and Fixed Assets.

A note to last year's Balance Sheet showed that commitments at June 30, 1960, for capital expenditure were approximately £360,000. This year a similar note shows the figure of £80,000.

As well as this big investment in Fixed Assets, Stocks were greatly higher at June 30th because of wet months April and May, so that the reduction in Bank Balances of some £350,000 may be judged satisfactory.

SULPHAC LIMITED

The Consolidated Balance Sheet includes the Debenture Loans and also the Company's majority investment in Sulphac Limited, and I would now report briefly that the 70,000 tons/yr. plant at Marina Cork operated, over 10 months to June 30th, both excellently and profitably. It has on test proven its flexibility of operation from low loading to above rated capacity.

The new Dublin acid plant was but little behind schedule when it came to production; nor was the delay significant, for we must sup-

pose that its full capacity will not at once be needed in order to supply, with the Cork plant, all present National requirements of concentrated sulphuric acid.

FERTILISER MANUFACTURING SUBSIDIARIES

Considering the sum profit derived from these Companies' fertiliser manufacture and trading, I feel I should, on behalf of Stockholders and in face of any opponents, observe that the total gross profit before tax represents a very small percentage of turnover. As I said to Stockholders in 1959. . . . "You may fairly observe that we rest our fortunes upon the policy of obtaining a moderate return upon a steadily growing business."

I must emphasise, accordingly, that it can only be by means of advanced mechanisation—whereby to machine-handle tons as though they were ounces—that the fertiliser manufacturer may make profit whilst holding down price.

It is according to this prescription, as well as to one other, that a development scheme for the fertiliser plant at East Wall upon the new site and alongside the new acid plant, has now reached an advanced stage. The other aspect which this development serves is the acceptance as a main assumption of an accelerating trend to concentrated compound fertilisers—those which carry far more plant food per ton for the same freight and handling charges per ton.

Given the facts that present day transport and labour costs are high and unlikelihood of reduction (to say the least of it) it can only be a matter of time, short as we think, before farmers grasp the plain logic of this trend.

TRADING CONDITIONS

The sales of superphosphate increased slightly during the year under review but sales of compounds showed marked increases.

The general level of phosphate usage is still far from satisfactory. According to the Department of Agriculture's advisory booklet "Lime and Manures," we should use over one million tons of superphosphate per annum, which is equivalent to 2½ times our present usage of phosphorus. The poor quality and low feeding standards of winter fodder on most Irish farms are grave obstacles to progress in animal husbandry generally.

The probability of our entry into the E.C.M. is a compelling reason for the immediate development of Irish grasslands, for an early increase in livestock population and for more attention to the economics of current farming practices. High milking averages on our dairy farms and satisfactory live-weight gains in the case of beef cattle will be attained only when silage production and the growing of kale and rape for adequate winter feeding become standard procedure.

AGRICULTURAL ADVISORY SERVICE

The Advisory Service which we maintain for the benefit of farmer customers and for wholesale

buyers was extended in the year under review. Additional agricultural graduates were recruited so that a service can now be offered from Limerick and Waterford, thus completing a country-wide coverage.

NEW RANGE OF PRODUCT

For some considerable time we have had the question of fertiliser analysis under review. This year, as a result of our investigations, we introduced a change in the analysis of many compounds to bring the range into conformity with modern research and with practical economics. We have thus initiated a policy of concentrating plant food units through our "Hi-Unit" range so that the farmer has less to carry from store, to spread on field, and to pay in transport and storage charges per unit of N, P and K. The introduction of the "Hi-Unit" range has been backed by increased advertising in the national and local press and agricultural journals. The range consists of concentrated or double-strength fertilisers in granular form, packed in labour-saving 1-cwt. paper bags. A system which we call the "Hi-Unit" plan is also designed to help farmers in knowing which fertiliser to use under his own local conditions. The method we employ is one which strengthens our links with the farmer through the co-operation of our wholesale buyers.

The report and accounts were adopted.

MINI MINI (NYASALAND) TEA SYNDICATE

MR MEAKIN'S STATEMENT

The thirty-eighth annual general meeting of Mini Mini (Nyasaland) Tea Syndicate Limited was held on November 30th in London, Mr C. A. Meakin (the chairman) presiding.

The following is an extract from his circulated statement:

The Trading Profit for the year again shows an increase over the previous season and amounted to £18,752. The Directors recommend a final dividend of 15 per cent, making a total distribution of 20 per cent for 1960/61.

Our cash position continues to improve and the Bank overdraft has been eliminated and I hope that it will not be long before we have accumulated sufficient Funds to provide for the Company's cash requirements during the non-cropping months.

The season under review has been satisfactory from the cropping point of view and a substantial increase in intake was recorded over previous seasons. The Board is still not satisfied with the standard of prices which have been obtained and this continues to receive the close attention of all concerned. In other respects the reports that we have received of the property confirm that the agricultural condition of the estate continues to improve.

In so far as the new season is concerned, prospects at the moment are reasonably satisfactory. This position has been safeguarded to an extent by selling forward approximately 40 per cent of the anticipated crop at 2s. 11d. per lb. F.O.B. Beira. This compares with an estimated cost of production of about 1s. 8½d. The above cost of production does not include Depreciation, Insurances and Head Office Expenditure.

The report was adopted.

UNITED WINE TRADERS

ANOTHER RECORD YEAR

The ninth Annual General Meeting of United Wine Traders, Ltd., was held on December 5th in London. Sir Kenneth Murray, the chairman, presiding.

The following is an extract from his circulated statement for the year ended June 30, 1961:

The Company has had another record year, the combined profits of the Group, after deduction of administrative expenses but before taxation, amounting to £674,701, as compared with £408,681 in the previous year. Unfortunately these increased profits result in provision for taxation being increased from £197,700 to £353,225, which latter sum reduces the Group surplus for the year to £321,476.

Once more these increased profits are largely accounted for by the continued success of Justerini & Brooks' "J. & B. Rare" Scotch Whisky overseas. With the present Government emphasis on exports it is of more than passing interest that, in the year under review, our subsidiary Justerini & Brooks Ltd. increased their export of "J. & B. Rare" to the United States of America by nearly 50 per cent., when compared with the previous year.

Our exports to markets other than the United States of America have increased by nearly 30 per cent. in the year under review.

Though the fortunes of our export business with Hennessy Brandy handled by our subsidiary Twiss & Brownings & Hallowes Ltd. continue to fluctuate with the political tide in each market, nevertheless the overall sales have shown a marked upward trend, thanks mainly to the very strong position of the Brand in South East Asia.

MARKED IMPROVEMENT AT HOME

Our operating companies have achieved all this overseas without interference or neglect of their home trade, which has again shown a marked improvement on the previous year. Furthermore, "J. & B. Rare" is now being made available on the Home market and has made a promising start there. Our shareholders and other members of the public will, therefore, now have the opportunity of forming their own opinion of this whisky which is characterised by its lightness both in colour and in style and is now enjoying world-wide acclaim.

Once again the current financial year so far gives every expectation of yet further expansion both at Home and Overseas.

In addition to the Preference dividend for the year and an interim dividend of 15 per cent paid on the then existing Ordinary shares, your directors recommend payment of a final dividend of 50 per cent on the Ordinary Share Capital as increased to £385,000. This compares with the figure of 40 per cent envisaged in my circular letter of May 3rd.

It has always been my intention to retire from the Chair and Board of this Company on reaching the age of 70, which I did in August last. Accordingly I do not seek re-election, but at the request of all my colleagues, I propose continuing for the time being as Chairman of Justerini & Brooks, a position which I have held since 1931.

Mr H. C. B. Berens has accepted the invitation of the Board to succeed me as Chairman and I feel confident that under his able guidance the affairs of your Company will continue to prosper.

The report was adopted.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY

(Incorporated in the Republic of South Africa)

EXTRACTS FROM

MR D. A. B. WATSON'S SPEECH

The annual general meeting of Johannesburg Consolidated Investment Company, Limited was held on December 5th in Johannesburg.

Mr D. A. B. Watson presided and, in the course of his speech, said: For the year ended June 30, 1961, the profit, before tax, of your company and its wholly-owned subsidiaries, Barnato Brothers Limited and Barnato Holdings Limited, amounted to the record figure of R5,275,150 (£2,637,575), an increase of R138,830 (£69,415) over the comparable figure for the previous year.

There was an improvement of R734,990 (£367,495) in our dividend income, which at R5,776,644 (£2,888,322) was also a record for the company. However, this improvement was accompanied by a reduced profit from the realisation of investments, which at R332,866 (£166,433) was only about one-half of the average annual profit earned by this side of our business during the preceding five years.

There was a substantial net depreciation of R3,084,454 (£1,542,227) in the book value of our portfolio. The total market value of our investments at June 30, 1961, was R54,125,776 (£27,062,888) as compared with R58,136,032 (£29,068,016) at June 30, 1960, a decrease of approximately R4M (£2M).

The decline during recent years in the London share prices of our investments in various companies operating in Africa stems not from a general diminution in their current intrinsic earning capacity which, on the contrary, has on the whole been more than maintained. It results from the continuing anxiety of investors or potential investors in enterprises in Africa as to the effects of Government policies and political changes upon future industrial activity in various parts of that continent, upon the flow of profits arising from that activity, and upon the rate of tax levied on such profits. The political changes have been widespread and rapid. They are not at an end but will continue in various forms for many years.

Having commented on the possible short-term effect on the company's interests of African political development, Mr Watson continued: We remain of the opinion expressed at our meeting last year, namely that production and business in the various territories in which our interests lie will continue, possibly with some interruptions, but nevertheless on a satisfactory scale. I do not envisage any abrupt or wholesale decline in the earning power of our investments in these territories, nor any such sudden changes in fiscal policies as would significantly affect the quantum of profits available for distribution by the companies concerned.

We estimate that our profit for the current year will be more or less maintained at last year's level. Our present estimate is that last year's rate of dividend should be maintained for the current year. This forecast depends naturally not only upon the maintenance of our presently anticipated dividend income, but also upon there being no further fall in share prices of such magnitude as to necessitate substantial provisions to meet the resultant depreciation in the book value of our investments.

THE FAIRFIELD SHIPBUILDING and ENGINEERING COMPANY, LIMITED

STATEMENT BY THE CHAIRMAN
SIR JOHN MAXWELL ERSKINE, BT, GBE, DL, JP

The following Statement has been circulated to the Shareholders of the Company, whose Annual General Meeting will be held in Glasgow on December 28, 1961.

The Company is now engaged in the third and last phase—estimated to involve an expenditure of something of the order of £1,000,000—of the shipyard re-construction programme commenced some years ago. It has been the policy of the Board to charge the greater part of this special expenditure to the "Reserve for Development and Contingencies." As the Balance Sheet shows, this Reserve has been increased this year by the sum of £468,828, and after deducting the year's special expenditure of £118,828 the reserve is £1,900,000. In view of this, and having regard to the fact that as a result of the steady writing-down over the years of the value of Fixed Assets—these stand in the Balance Sheet at little over £1,000,000, which is demonstrably a small portion of their actual value—it has not been considered necessary to make any charge this year for Depreciation.

Contracts completed at both the Company's Works at Govan and Chepstow provide an interesting cross-section of work, and proof of the versatility of the Company's resources. The deliveries included:

From Govan
H.M.S. Lincoln ... Frigate
H.M.S. Blake ... Cruiser
H.M.T.S. Alert ... Cable Layer 6413 GRT
M.V. Yorkshire ... Cargo Liner 12040 DWT
S.S. Shell Naiguata Oil Tanker 33000 DWT
S.S. Leeclyffe Hall Great Lakes
Bulk Carrier 27300 DWT
T.S.S. Passenger Ferries—A total of 9, each carrying 2,100 persons, for service in the Bosphorus and the Sea of Marmara.

From Chepstow
Fabricated Steelwork for—
Railway Bridges of modern design for British Railways and new road projects.
Buildings.
Factories.
Gantries for travelling cranes.

The Company has acquired a substantial holding of the equity of David Rowan & Co.

Ltd., Marine Engineers, Glasgow, established 1865, and the balance is being acquired. The merging of the two Companies is now in process with a view to complete integration of the engineering activities of the two Companies, to ensure the greatest efficiency in production of marine engines of all types and to allow for expansion of participation in a wider range of engineering products.

In the course of the year a licence and technical assistance agreement was made with Westinghouse Electric International Company of New York. This grants the Company exclusive manufacturing rights within the United Kingdom for Marine Turbines incorporating Westinghouse techniques, also it will make available the developments arising from the extensive research programmes conducted in the research centres of Westinghouse.

The Trading Profit for the year at £578,833 is substantially lower than the previous year when a record figure of £1,043,781 appeared; but in a business such as ours there are bound to be fluctuations in the incidence of emergent profit or loss. After bringing back a provision for Taxation no longer required, and making provision for the dividend of 6% on the Cumulative Preference Shares, requiring, less tax £9,188, a proposed Dividend of 20% on the Ordinary Shares, requiring, less tax £30,625, and the allocation of £468,828 to the Reserve for Development and Contingencies already referred to, the amount carried forward in the accounts is increased from £193,770 to £235,285.

During the year, the Board, in pursuance of their policy of recognising and rewarding merit, were happy to invite Mr Derek B. Kimber, OBE, MSc, Shipbuilding Manager, to a seat on the Board and the Shareholders will be invited to confirm his appointment.

There can be no doubt that the Shipbuilding and Marine Engineering industry in the United Kingdom has been and is facing many difficulties. It is equally true that in recent times there have been many broad generalisations as to the competence and attitude of those engaged in the industry,

whether in management or as operatives, which have served to denigrate the status of of British Shipbuilding in the eyes of the World. These generalisations are sometimes grossly unfair and serve to make even more difficult the ability of the Industry to compete abroad, for, believe me, full use is made of such comment to our disadvantage.

Notwithstanding the difficulties to which I have referred, the Board has exerted every effort to obtain new contacts at home and abroad with a considerable measure of success. A number of important contracts for both the Govan and Chepstow Works have been obtained, including one from HM Government for a Guided Missile Destroyer, and a Cargo Liner for an old and highly respected client—Bibby Line of Liverpool. These valuable contracts will ensure continuity of employment for our personnel, who have a lifetime's experience of such highly specialised work.

Tenders were submitted for two important contracts during the past year—(1) the Construction and installation of machinery for a Nuclear propelled 65,000 ton Oil Tanker and (2) the Construction of a fast Trans-Atlantic Passenger Liner. Both tenders included proposals embracing interesting features for main machinery installations conducive to economy and reliability.

From what I have stated it will be appreciated that the Company is making every endeavour to be fully equipped, materially, technically, commercially and with manpower to meet the challenge of the times, including possible entry to the Common Market which does not alarm us.

There is a tradition behind the Company of a hundred years of producing ships and marine engines, including vessels built nearly seventy years ago which held the "Blue Riband" by Atlantic Crossings of under 5½ days. That is an inspiration and a challenge which is being accepted by the present generation and I look forward confidently to the future of the Company.

I extend cordial appreciation to Mr James Lenaghan, our Managing Director, and his team of executives and employees for their valued services.

Lloyds & Scottish Ltd

Reduced earnings in a difficult period,
but future growth seems assured

TWO FORMER OPERATING COMPANIES NOW MERGED
IN LLOYDS & SCOTTISH FINANCE LTD

Statement by the Chairman, Mr. Ian W. Macdonald

In his statement accompanying the Report and Accounts for the year ended 30th September 1961, the Chairman analysed the severe difficulties, mainly in the motor vehicle field, which had caused a reduction in group earnings, and reviewed progress and prospects in other divisions. He explained the reorganization by which Lloyds & Scottish Finance Ltd. has become the operating company, while the parent company has changed its name to Lloyds & Scottish Ltd. His statement follows:

It is appropriate that I should first make reference to a scheme of domestic reorganization which was recently completed.

Since the formation of Lloyds & Scottish Finance in 1958 your directors have always had in mind the fusion of the two main operating groups

Olds Discount and Scottish Midland Guarantee Trust. It was, however, thought unwise to rush this merger until the two groups—and particularly the senior officers—had been given time to get to know each other. The end of this phase was reached on 30th September 1961 and since that date one operating company, Lloyds & Scottish Finance, has been underwriting all new business. The board members of the new operating company are shown in the Report, but I would particularly make reference to the appointment of Mr. John McQuestion as Managing Director. He has had long experience in the hire purchase field and has been managing Scottish Midland Guarantee Trust since 1939.

As a consequence of the merger the name of this—the parent—company has been changed to Lloyds & Scottish Limited. Its function, as formerly, is confined to the holding of subsidiary and associated company investments and funds.

We recently welcomed to this parent Board The Rt. Hon. Viscount Runciman of Doxford and Mr. George T. Chiene. Lord Runciman is a Vice-Chairman of Lloyds Bank, and Mr. Chiene a director of National Commercial Bank of Scotland.

A most difficult year

The past year has proved to be one of the most difficult ever experienced by hire purchase finance companies in the United Kingdom. The main source of trouble can be ascribed to motor and vehicle financing, where as the months passed the losses from bad debts and repossessions mounted. These set-backs were particularly severe in one section of our group business which tended to concentrate on the underwriting of contracts covering second-hand cars and motor cycles.

A combination of circumstances gave rise to this situation: (1) inadequate down-payments, (2) excessively long periods for repayment, (3) a collapse in second-hand vehicle prices. As a result,

the market value of the vehicle frequently fell far below the aggregate of future instalments, and many hirers defaulted on their contracts, leaving the finance company to take a heavy loss on repossession, which may or may not be recoverable depending on the financial status of the hirer. This combination of events had not previously happened in the post-war period, and managers who lacked such experience did not anticipate the violence of the consequences. It is not yet possible to say with confidence that further losses will not emerge from 1958-59 contracts as a serious unbalance between market value and future instalments remains, but the situation is protected by the taxed contingency reserves of £300,000, shown in the Consolidated Balance Sheet.

A basis for future growth

In any event, the unbalance is a diminishing factor, as contracts placed on the books since the statutory restrictions were reimposed in 1960 contain a much weaker mixture of the dangerous ingredients. More recently the members of the Finance Houses Association have collectively recognized the need for realistic terms in the motor vehicle field, not only for their own safety, but also to protect hirers from the embarrassments which frequently emerge from contracts with low deposits and long repayment periods.

I would venture the opinion that while the price has been high, the lessons learned have had a salutary effect, and that future growth which seems assured will have stronger roots and fewer mushroom characteristics.

The other main divisions of our Home business have functioned satisfactorily and shown reasonable profits. Retail sales of domestic durables were slow to recover from the relatively severe

hire purchase restrictions imposed in April 1960, following a control-free period when sales were unusually high. There was, however, a measure of relaxation in the controls in January 1961, and a more normal level of retail sales has been achieved in recent months.

Developments overseas

During the past year there has been some moderate increase in our overseas interests. In the Caribbean area we acquired from Lombank Limited companies in Jamaica and Bahamas. These are being combined with our existing interests and should strengthen our competitive position in these islands.

In South Africa we are associated with the Netherlands Bank of South Africa and British & Commonwealth Shipping and, as a consortium, we recently acquired the balance of the ordinary shares of the Credit Corporation of South Africa. On the completion of this transaction the Credit Corporation became, in terms of British company law, a subsidiary of Lloyds & Scottish. As the Credit Corporation's most recent annual accounts were prepared to a date prior to this acquisition, these have not been incorporated in our consolidated figures.

Our participation in Eurocredit is proving satisfactory. Controlling interests in companies in France, Italy and Switzerland have been acquired, and, although no dividend has yet been paid by Eurocredit, its subsidiaries are earning reasonable profits. We consider that, given good management, our investment in Western Europe should prosper, particularly as the stage of growth of instalment finance is some years behind that reached in this country.

Generally speaking, our other overseas companies have had a difficult year. Local management problems have arisen simultaneously in several widely separated areas, and it is not easy to find immediate and effective solutions. There is also inevitably a price to be paid in profit set-back during such occurrences. Another factor, which is rarely favourable, is government financial policy. Restrictions and cramping regulations imposed on the providers of credit are nowadays all too frequent in many parts of the world. As in this country, it is not so much the restrictions as their frequent variation which creates the problems.

Effects on profits

The accounts show that the trading profit of the group has fallen heavily as compared with the previous year, from £3,000,574 to £739,004. As I have already stated, serious trouble was experienced in one of our motor divisions where large provisions have been made for bad and doubtful debts. We also incurred a considerable loss in an overseas subsidiary. Another adverse factor was the high average cost of money—not compensated by any increase in hire purchase rates until almost the end of the financial year.

The volume of our group business has been well maintained, and the Consolidated Balance Sheet shows that Hire Purchase and other Debtors now exceed £100 million.



Lloyds & Scottish Ltd

(OWNED BY LLOYDS BANK LTD
AND NATIONAL COMMERCIAL BANK OF SCOTLAND LTD)

CARRERAS LIMITED

A NOTABLE YEAR IN COMPANY'S HISTORY

TRADING RESULTS SHOW A MARKED IMPROVEMENT

PROGRESS IN HOME AND OVERSEAS MARKETS

An Extraordinary General Meeting of Carreras Limited was held on December 5th at Basildon, Essex, Mr John H. Hansard (the Chairman) presiding.

The following is his statement which had been circulated with the report and accounts:

The year under review has been an important one in the history of your Company. A number of changes have taken place which have been the subject of separate advices to shareholders and I will comment on these matters later in this statement.

In May of this year Dr Anthony E. Rupert expressed the wish to retire from the Chairmanship following the satisfactory completion of the scheme for the integration of the interests of your Company with those of Rothmans Limited in the United Kingdom and certain other territories. This was in accordance with Dr Rupert's usual policy not to hold the Chairmanship of any of the overseas companies in the Rembrandt Group.

I considered it a great honour when Dr Rupert and my colleagues asked me to assume the Chairmanship of the Board.

NEW BOARD APPOINTMENTS

Since our last Annual General Meeting two Directors have been appointed to the Board: Mr D. S. A. Carroll, the Chairman and Managing Director of P. J. Carroll and Company Limited in the Republic of Ireland, and Mr D. C. Owers, the Managing Director of Rothmans of Pall Mall Limited. Both these gentlemen have considerable experience of our industry and I am sure that their services to your Company will prove to be of great value.

ACCOUNTS

As forecast, the trading result for the year ended June 30, 1961, showed a marked improvement in your Company's affairs: this is commented upon in the Report of the Directors. The Group Profit before taxation amounted to £2,607,752, an increase of 47 per cent over the previous year.

Your Directors have recommended a final dividend on the Ordinary and "B" Ordinary shares of 6½ per cent less income tax, which with the interim dividend paid on June 30, 1961, will make a total of 9 per cent less income tax for the year. This compares with a total of 8 per cent less income tax for the previous year and an annual rate for the preceding three years of 6 per cent less income tax.

In recommending this dividend your Board has borne in mind the request of the Chancellor of the Exchequer for dividend restraint. At the time of his request, the Interim Dividend had already been increased from 2 per cent to 2½ per cent and we felt that, in fairness to Shareholders, the minimum Final Dividend we could pay was 6½ per cent. But for the Chancellor's request, the Directors would have been fully justified in recommending a higher rate of Final Dividend.

THE YEAR'S TRADING

The sales of Carreras' leading brands, Piccadilly No. 1 and Guards Filter cigarettes, have achieved a further steady increase in the United Kingdom market.

Our export trade has had a most successful year.

The improvement in the parent Company's affairs is in part attributable to the benefits arising from the Company's first full year of manufacture in the new plant at Basildon. The machinery and equipment installed during 1959 and the early part of 1960 is proving its value in relation to higher output and economy in operation, whilst the labour force, over half of which was recruited locally following the removal of manufacture from London to the New Town, has settled down to its task with increasing efficiency.

An important share of the increase in profits is also attributable to the inclusion this year of the profits earned by Rothmans of Pall Mall Limited, the entire share capital of which was acquired by Carreras Limited under the recent integration scheme. The rapid expansion during the past few years in the sales of Rothmans brands in the United Kingdom market was maintained during the year under review and amply justified the confidence of your Board in the value of your Company's new investment. The vigorous policy of sales promotion adopted by the Rothmans Board, which secured for Rothmans of Pall Mall Limited the position of market leaders in King Size Filter cigarettes, has been continued.

The sales of Peter Stuyvesant King Size Filter cigarettes, marketed by the American Cigarette Company (Overseas) Limited, have also shown a considerable increase.

The arrangements made with Rothmans of Pall Mall Export Limited for the manufacture of its brands for overseas markets have resulted in a further useful contribution to the improvement in your Company's affairs.

During the year Murray Sons and Company Limited celebrated the 150th anniversary of its business in the pipe tobacco industry. Sales of the Company's products, notably of Erinmore pipe tobaccos, were well maintained and earned for the Company an encouraging increase in profits.

Useful links have been forged with our new associate, P. J. Carroll and Company Limited in the Republic of Ireland. That Company has had a very good year and has increased its share of the Irish cigarette market. It also commenced to develop Group brands in that market.

CANADA

The rise in Group Profits was offset by adverse trading conditions experienced by your subsidiary, Rock City Tobacco Company Limited. The profits earned by Rock City Tobacco Company Limited to the date of its liquidation were sharply reduced in relation to

the previous year's level. As members were informed earlier this year, your Company's investment in this subsidiary company was realised at the end of 1960 by the liquidation of that company. With part of the proceeds your Company took up Debentures in a new Canadian associated company and accordingly in future, your Company's income from Canada will be represented by the interest receivable on these Debentures. It should be noted, however, that your Company has the opportunity of taking up a reasonable stake in the Canadian associated companies on favourable terms. Whilst it is too early at this stage to judge the results of the reorganisation, your Board considers that the chances of success of these companies in the highly competitive Canadian cigarette market should be materially improved by the pooling of the resources and by the economies to be gained in manufacturing and overhead expenses. I reiterate the Board's hope that these Canadian companies will achieve increasingly satisfactory results and in that event the arrangements made for an equity participation by your Company should be of substantial benefit for the future.

DEVELOPMENT PROGRAMME

The major part of the Board's initial plan for the reorganisation of your Company's affairs has been accomplished and satisfactory benefits have been obtained. Modernisation is to us a continuous process and further expenditure is, therefore, being undertaken to ensure maximum production efficiency.

ORGANISATION

In order to provide improved administration which has become necessary with the increasing size of your Group, certain internal reorganisation has been carried out and separate companies have been formed to deal with both your Company's home trade and overseas affairs. It is felt that this approach will enable greater concentration upon the various aspects of the business, and there is included later in this report a summary of principal Group companies at the present time.

FUTURE PROSPECTS

Your Company is consolidating the progress made and is continuing its policy of going forward carefully and objectively.

Since the end of the financial year, the United Kingdom market has been adversely affected by the Chancellor of the Exchequer's "Little Budget" which increased the rate of duty on tobacco by 10 per cent. The rate of duty on unmanufactured tobacco already stood at 64s. 6d. per lb and accounted for approximately three-quarters of the price of cigarettes to the smoking public. Whilst being most aware of the need for the Government to take action to control the economy of the country, it seems somewhat unrealistic to increase the duty so severely on products already carrying such an enormous rate of tax. It is too early to judge the effect of this surcharge on the industry, but it is bound to

THE ECONOMIST DECEMBER 9, 1961

reduce consumption at least for a period. In our case we produce for the United Kingdom market and for the Export Trade from the same plant, and obviously any reduction in the Home Trade turnover must affect our Export costs. We hope that the situation will settle down and we believe that by skilful management we can continue to improve the Company's position.

I would again like to record on your behalf our appreciation and thanks to our Bankers, Legal Advisers and Auditors for their valuable services to the Company.

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION

REVENUE AGAIN LARGER

MR J. N. BUCHANAN'S STATEMENT

The Thirty-sixth Annual General Meeting of The Industrial Finance and Investment Corporation, Ltd., will be held on December 28th at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the chairman, Mr J. N. Buchanan, DSO, MC, which has been circulated with the report and accounts:

It will be seen from the Accounts for the year ending June 30, 1961, that the gross revenue arising from Investment income and profit from Finance business and on realisation of investments has again progressed satisfactorily.

HIRE-PURCHASE OPERATIONS

On the other hand, these results have been impaired by the unsatisfactory operation of our Hire-Purchase Group.

Shareholders will remember that the Hire Purchase Group was first embarked upon in the spring of 1959—in retrospect a singularly unfavourable moment. In the intervening period, there have been the "free for all" the credit squeeze and high Bank Rate, none of which have been conducive to a satisfactory outcome of contracts entered into over much of the past two years. In addition, it must be admitted that, with exceptions, the management of the Hire-Purchase Group has left much to be desired, both from the angle of able assessment of risks and organising ability. Although the loss incurred is unpleasant, the resilience of the Company's traditional business enables payment of the same dividend as for the previous year without drawing on the Company's substantial reserves.

Radical steps have been and are still being taken to surmount the difficulties of the Hire-Purchase Group, but time will be needed to produce profits commensurate with the funds involved.

ENGINEERING INTEREST

Towards the latter part of the year under review, our engineering subsidiary was amalgamated on a satisfactory basis with a similar engineering group, and we received in exchange Shares with a Stock Exchange quotation.

Both the economic and political situations currently make investment on the short term somewhat hazardous; but, despite a number of disappointing reports from industry generally—probably with more to come—the revenue from our portfolio has so far stood the test quite satisfactorily.

COMPANY MEETING REPORTS

BIRMID INDUSTRIES

The annual general meeting of Birmid Industries, Ltd., was held on December 5th at Birmingham, The Most Honourable The Marquess of Exeter, KCMG, chairman, presiding.

The following is an extract from his circulated Statement for the year to July 31, 1961:

Group profits have declined as compared with the previous financial year. A number of factors have contributed to this situation. Whilst the level of Group sales has been substantially maintained, profit margins have narrowed considerably.

Your Directors feel, however, fully justified in recommending a final dividend at the rate of 15 per cent. This maintains the total dividend for the year at 20 per cent.

Taxation at £1,655,906 against Net Profits of £1,360,434 is again adversely affected by the increase in Profits Tax and this year's charge means that the Exchequer will take nearly 11s. 0d. from every £1 of our earnings.

PRODUCTION & SALES: During the year demand from the motor trade in particular was fairly well maintained; as a result, total Group Sales were about the same as in the last financial year. Production costs, however were considerably higher due to a variety of causes beyond our control and, in consequence, profit margins were measurably reduced.

The aircraft industry maintained a reasonable level of activity and your light alloy foundries and rolling mills secured their fair share of the business. There is an increasing demand for high precision castings in light alloys and our department dealing with this type of product is being expanded.

At the rolling mills the Sendzimir strip mill has fully justified our expectations and plans are under review for expanding the scope of manufacture from the unit.

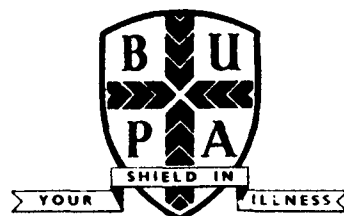
EXPORTS: Direct exports are limited almost entirely to wrought light alloys and in the main go to Northern Europe. Competition is even more severe than it was last year, but we are holding our own though, currently, not increasing our share of the market.

Your Directors have given much thought to the implications of Great Britain joining the Common Market. It will certainly mean that we, in common with other British Manufacturers, will be faced with even keener competition in the Home Market. If such a contingency is recognised as inevitable, it should be a stimulus to greater efficiency in our manufacturing and marketing organisation. On the credit side, it does though seem that there may be a certain market in Europe for some of our specialised wrought and cast products. Full membership of the Common Market could well mean that our chief customers could increase their exports to Europe to a degree which would more than compensate for any loss in the Home Market to European competition. This, indirectly could entail increased business for our foundries.

PROSPECTS: At the present time there has been a very distinct falling off in demand from the motor and other consumer industries and it seems unlikely that this will improve before the New Year. Competition for available business is keener than ever, so much so, that in order to secure contracts it would seem that profit margins would have to be drastically reduced or, in some cases, entirely disappear.

The report and accounts were adopted.

Private treatment in Illness



President:
The Rt. Hon. VISCOUNT NUFFIELD,
G.B.E., C.H., F.R.S.

BUPA's PROGRESS

The 14th annual report of the British United Provident Association, presented by Sir Andrew H. Rowell, F.I.A., Chairman of the Board of Governors, is convincing evidence of the great and growing demand for private treatment in illness . . .

At the close of the financial year about 975,000 people were covered by BUPA. There were 42,085 new registrations during the year. More than 100,000 subscribers claimed benefit.

The report is also striking testimony to the efficient and economical way in which BUPA is run . . .

From a subscription income of £4,026,981 no less than £3,396,830 (nearly 85%) was paid out in claims.

Nevertheless BUPA was able to continue its policy of sponsoring new and improved facilities for private treatment . . .

Once again out of investment income, BUPA paid £40,000 to the Nuffield Nursing Homes Trust.

If you would like to have a copy of the Annual Report and Statement of Accounts for the year ended 30th June, 1961, please write to:

THE BRITISH UNITED PROVIDENT ASSOCIATION
Essex Street, London, W.C.2.

AUSTIN & PICKERSGILL LIMITED

RECORD TRADING RESULTS

MR J. H. KING ON SATISFACTORY CURRENT ORDER BOOK

The sixty-second annual general meeting of Austin & Pickersgill Limited was held on November 30th in London.

Mr J. H. King, the chairman, presided.

The following is his circulated statement:

The profit for the year before taxation amounts to £591,687, against £462,666 for the year to June, 1960. This is a record figure for this Company, but it carries with it a record taxation charge of £309,197.

Your directors have transferred to capital reserve £450,000 from general reserve and £233,837 from unappropriated profits, thereby raising the capital reserves to £1,212,500.

The dividend recommended on the ordinary shares is unchanged at 15 per cent less income tax.

THE YEAR'S OPERATIONS

The highly satisfactory result is due largely to the continued efficiency of our modern shipyard at Southwick. We delivered six new ships during the year, including two of over 18,000 tons deadweight, our biggest ships to date.

The Ship Repair Department has made an important contribution to the profit, with the reconstituted graving dock at the Wear Dockyard in operation during most of the year. In addition, we have carried out special surveys and repairs afloat to several vessels of 10,000 tons deadweight and over, going well beyond the old small ship range of the dockyard.

This year's figures include profits on ships which were contracted for up to four years ago, before the present recession got into its stride, when it was still possible to obtain orders with reasonable profit margins. We have now worked

COMPANY MEETING REPORTS

through these old orders, and our present contracts have been obtained at very keen prices indeed. I must warn you, therefore, that the result for the year to June 30, 1962, will inevitably show a very large reduction in profits in comparison with 1961.

Our order book is satisfactory inasmuch as it will keep both the Southwick Yard and the Wear Dockyard building berths going for 12 months, and of course the management are constantly on the watch to secure further orders.

INADEQUACY OF LONG-TERM CREDIT FACILITIES

We have a modern, well equipped and efficient shipyard, which is building ships as quickly and as cheaply as any in Europe, if not in the whole world. We can offer quick and prompt deliveries, and are sure that our prices compare very favourably with those of our competitors. Our biggest difficulty at the present time is the lack of adequate long-term credit facilities, available readily and at interest rates comparable with those obtainable abroad. Many foreign owners insist on substantial credit for long periods, and some British owners have placed orders abroad because of extended credit terms. I feel that the lack of suitable long-term credit facilities presents the biggest obstacle to British shipbuilding at the present time.

Nevertheless, I remain confident that with our up-to-date plant and methods and our determination to keep abreast of the latest technical developments, we shall continue to be competitive through these difficult times.

Lastly, it is my pleasant duty to thank, on your behalf, every employee of the Company. They have all worked with keenness and zest through another year.

It is also pleasant to place on record that during the period under review no labour troubles whatever have raised their heads and that throughout the organisation, under the leadership of our managing director, there is an atmosphere of team spirit which is both notable and admirable.

The report and accounts were adopted.

THE ECONOMIST DECEMBER 9, 1961

BANK OF MONTREAL

REALISTIC APPROACH TO NEW CHALLENGES URGED

The one hundred and forty-fourth annual general meeting of the Bank of Montreal was held on December 4th in Montreal.

Mr G. Arnold Hart, the President, in the course of his speech, said:

The last twelve months have been eventful ones, bringing many changes both in Canada and abroad. On the Canadian economic scene, business on the whole has shown signs of increased activity in contrast to the recession that characterised most of the previous year. But in spite of the higher levels that have been achieved in output, income and employment, all sectors of the economy have not shared to the same extent in the advance that has taken place. While we can derive satisfaction from the extent of the recovery thus far, it remains a fact that the present pace of business recovery in Canada still falls short of the rate of growth we would wish to see.

Commenting on the United Kingdom's possible entry into the European Common Market, Mr Hart said: I would urge that we not be too hasty in our judgment, nor adopt a defeatist attitude. I would suggest that instead of merely opposing changes from existing arrangements we take a positive approach to the problem of the United Kingdom, the Commonwealth and the Common Market and that we consider the wider implications rather than just the possible short-term effects on Canada. If it seems apparent that there are economic advantages in Britain joining the Common Market, I am sure we would all rather see a stronger Britain in the Common Market than a weaker Britain outside it.

In a wider context it seems to me that we shall reap nothing but disappointment from taking a negative attitude in our international dealings. Faced as we are with an increasingly competitive world we should be active in meeting the competition, and in adapting ourselves to the changing world environment.

GENERAL MANAGER'S ADDRESS

In the course of his address, Mr R. D. Mulholland, Vice-President and General Manager, said: Noteworthy progress has been made in all departments of our business and I trust that the results may be regarded as satisfactory.

After providing for depreciation of premises and equipment, transfers to inner reserves and income taxes, our net profits amounted to \$14,578,817. A sum of \$12,453,750 has been provided therefrom for regular and extra dividends, amounting in total to \$2.05 per share compared with \$2.00 for the preceding year.

At the end of the fiscal year, total assets of the Bank amounted to \$3,950,000,000, an increase for the year of \$464,000,000 or 13.3 per cent. The increase in our assets represented the largest increase ever experienced in a year by any Canadian bank.

Total deposits at \$3,647,000,000 showed a very satisfactory increase of \$446,000,000 during the year, and constituted a year-end record for the Bank. During the year the number of deposit accounts on our books increased by 134,000, of which over 100,000 were savings accounts, and we are now bankers for more than 3 million Canadians.

THE ECONOMIST DECEMBER 9, 1961

NETHERLANDS BANK OF SOUTH AFRICA LIMITED

DIVIDEND 10 PER CENT

The Eleventh Ordinary General Meeting of Shareholders of the Netherlands Bank of South Africa Limited was held on December 5, 1961.

The following is an extract from the circulated statement by the Chairman, Dr. F. J. C. Cronjé:

INTRODUCTION

Before dealing with developments that took place during the 1960-61 financial year, which ended on September 30th, I think it would be appropriate to mention certain important proposals which were recently made in regard to the capital structure and share holdings of our Institution.

More specifically I refer to our circular to shareholders and to statements issued to the press towards the end of October when the public was informed that the Netherlands Bank of South Africa Limited is in the process of becoming a South African controlled institution and, moreover, is planning to strengthen its banking participation in Western Europe by means of a two-way share transaction with its Netherlands affiliate, the Nederlandse Overzee Bank N.V. with its Head Office in Amsterdam.

Briefly these changes involve, first, an increase in our total issued capital to R6,000,000 through a local issue of 500,000 shares of R2 each; second, a reduction in the shareholdings of our Netherlands affiliate, the Nederlandse Overzee Bank N.V., from a majority interest of 75 per cent (before the new issue) to a minority share of about 49 per cent (after the new issue) by virtue of an offer of 775,000 shares in our Bank to South African institutional and other investors; and, third and finally, a 12 per cent participation by our Bank in the share capital of the Nederlandse Overzee Bank N.V. with representation on its Board of Directors.

Considered from both a national and international point of view it will be clear that these changes in our operational basis offer many advantages and considerable scope for further progress.

POSITION OF THE BANK

Accounts.—Last year we were in doubt to which extent the adverse influences on the balance of payments would affect our position. As imports continued on at least the same level as last year, and our activities in the export field remained quite satisfactory, the effect on our international business did not confirm our uneasiness as expressed in our last report. Locally the ensuing scarcity of money resulted in an increased demand for facilities and the higher interest income contributed to a large extent to the favourable results of this financial year. We are also pleased to report a continued considerable increase in the revenue from commission which is indicative of a larger volume of business. Other sources of income remained at a satisfactory level. Expenditure again showed an upward trend and special measures are taken to keep this unfavourable development within reasonable limits.

During the last few months the liquidity of the bank improved considerably when the restrictive measures in regard to imports and capital movements became effective. Notwithstanding increased competition from other sources for credit moneys we are pleased to state that last year's levels could be increased. As a result of the recent general developments in this country

COMPANY MEETING REPORTS

combined commitments by our customers under advances and bills decreased.

Building operations in various centres and especially in Johannesburg, where we expect to occupy the first completed portion of our new premises towards the end of the year, caused a further moderate increase under the heading Bank Premises.

As is customary, all additions to furniture, office equipment and stationery were written off and adequate provision has been made for taxation, possible bad and doubtful debts, depreciation of bank buildings and for the usual strengthening of the Staff Pension Fund.

Business outside this continent showed a further satisfactory development to which our London Office and our Representative in New York contributed their valuable share. The co-operation with our affiliate, the Nederlandse Overzee Bank N.V., with their various offices on the European Continent and in the Western Hemisphere, continued to be a great asset.

Directors' Report.—In the Directors' Report it is proposed to increase the Reserves by R200,000 to R3,200,000. In view of the higher demands which will be made upon our Staff Pension Fund as a result of the conversion of the cost of living allowance into pensionable salary, your directors consider it advisable to make an additional contribution to the Fund of R100,000.

The favourable results obtained during this financial year enabled your Directors to declare interim dividends of 5 per cent in August and October making a total of 10 per cent in comparison to last year's 8½ per cent. No further dividend is recommended to be paid from the profits for the 1960-61 financial year.

The report and accounts were adopted.

NEEPSSEND STEEL & TOOL CORPORATION LIMITED

FULL PRODUCTION MAINTAINED

The forty-first annual general meeting of Neepsend Steel & Tool Corporation Limited was held on December 5th at Sheffield, Sir Stuart C. Goodwin, DL, JP, LLD, the President, in the chair.

The following is an extract from his circulated statement:

Our report shows that we have again had a satisfactory year, and, whilst there will be regret that there is no increase in the dividend, I am confident that our Stockholders will recognise that in conforming with the wishes of the Chancellor of the Exchequer, we are acting in the best interests of the country, and, of the several industries in which we have our sphere of activities.

It is of particular satisfaction to report that despite the many difficulties encountered in the year's trading, we have maintained full working production throughout the period.

This state of affairs has continued up to recent days, but there is now a slight falling off in the activities of certain of our smaller companies. Nevertheless, this is not expected to have any really serious effect, and we are hopeful that unless unforeseen conditions intervene, we shall be able to present a satisfactory profit position next year and to maintain the present dividend.

Our export trade has improved considerably during the past year.

The trading profits for the year before taxation have amounted to £1,473,348, as against a figure of £1,210,920 in the previous year.

The report was adopted.



Electric & Musical Industries Limited

Progress during the year ended 30th June, 1961

Year to June 30	1960	1961
	£	£
Group sales	68,700,000	82,440,000
Trading profit	6,931,000	7,836,000
Depreciation	1,422,000	1,932,000
Interest	288,000	456,000
Pre-tax profits	5,221,000	5,448,000
Tax	2,714,000	2,834,000
Net profit	2,413,000	2,443,000

RECORDS Total sales of our record company in the United Kingdom rose considerably, despite a fall in exports, which was more than offset by a very large increase of sales in the home market.

TRANSMITTING EQUIPMENT We have been particularly successful with our export business in these products. For example, all the transmitting and studio equipment, for television and sound, of the broadcasting service in Northern Nigeria is to be supplied and installed by E.M.I.

As a result of outstanding technical merit, the E.M.I. aerial systems are regarded as the best in the country. We are now undertaking most of the main aerial projects here.

TELEVISION E.M.I. community television systems are being installed in many places. It seems likely that wired television will be essential in many areas for colour television.

Closed circuit television is an expanding market in which we are increasing our share.

COMPUTERS We were the first company to instal a fully transistorised computer in a business house.

Late in the financial year, we delivered to the Ministry of Pensions the first part of the EMIDEC 2400 computer, which ultimately will be carrying out the whole of the clerical work for the new State Graduated Pension Scheme.

ELECTRICAL HOUSEHOLD APPLIANCES Although our sales of small appliances—irons, toasters, fires, shavers—were higher than in the preceding financial year, our sales of refrigerators and spin dryers were upset by the hire purchase restrictions imposed by the Government in April, 1960.

MAGNETIC TAPES There was a steep rise in the sales of both video and instrumentation tapes during the latter half of the financial year. There was a substantial rise in exports.

THE FUTURE The prospects of the Group's sales seem good, and in the year to June, 1962 they may well reach a total of the order of £90 millions, assuming no political crises.

NORTHGATE GROUP LIMITED

The following points are summarised from the Statement by the Chairman, Mr F. S. Bassett, accompanying the Report and Accounts for the year ended 30th June, 1961:

- ★ The Trading Profit of the Group again showed an increase. The net amount of £280,605 before taxation is approximately 14% in excess of the previous year's figure.
- ★ The Directors recommend the payment of a final dividend of 17½%, less tax, making, with the interim of 10%, less tax, paid in June last, a total distribution for the year of 27½%, less tax, the same as for 1959-60.
- ★ Capital Reserves have increased to £531,467 from £264,808 in the preceding year, and in addition there are Revenue Reserves amounting to £112,678. It is proposed that a sum of £104,612 be capitalised from the Capital Reserves and distributed as a free share bonus in the ratio of one new Ordinary share of 2s. for every four Ordinary shares held.
- ★ Our largest interest, the Jacobs Group of Companies, continued its progress during the year and production and sales reached a level well in excess of the previous 12 months, which in its turn was a high record.
- ★ The Nyla Knitting Company Limited and the Undie Fabric Company Limited have already proved valuable complementary businesses to the Jacobs Group. Their earnings for the past year exceeded the forecast made at the time of our acquisition and the combined sales and profits were a record for the sixth year in succession.
- ★ It is our intention to acquire further businesses as and when appropriate opportunities occur.

A copy of the brochure containing the Annual Report and Accounts and Chairman's Statement can be obtained from the Company's Registrars at 17 St. Helen's Place, London, E.C.3.

HIGHLIGHTS FROM NATIONAL BANK CHAIRMAN'S 1961 ADDRESS

Mr. J. A. Forrest, Melbourne. 29/11/61.

EXPORT INCOME MUST RISE. To achieve steady national progress, we must concentrate upon lifting our export income. This is fundamental to any lasting solution of our recurring balance of payments problem. Export income has not kept pace with national development. Last year, exports would need to have been about £100m. higher to equal the pre-war ratio to national production of 15%.

MORE EXPORTS ARE PART OF DEVELOPMENT. As individual citizens, we must grasp the idea that expansion of exports is a part of national development just as surely as is the new dam, the new railway line, the new factory. To raise it by anything like the £250m. a year suggested by the Export Development Council is a gigantic task, and its magnitude and importance must be brought home to the nation. There must be a nation-wide urge to produce for export.

RESPONSIBILITY OF GOVERNMENTS. Creation of the appropriate climate within Australia to aid production for export is a responsibility of governments. This would be a valuable complement to the help in various other ways being given by government to private enterprise to build up export income.

ENCOURAGEMENT OF IMPORT REPLACEMENT. Full encouragement must be given production that will replace imports. In appropriate cases, greater and perhaps wider use should be made of the tariff to aid efficient local manufacturers. If costs are to be reduced production facilities must be fully employed. Testing production of tropical and sub-tropical agricultural products in northern areas, and searching for oil, are examples of possible import replacement.

OUR EFFORTS MUST COMPLEMENT CAPITAL INFLOW. Our young and developing country, with excellent long-term business prospects, merits the full attention of overseas friends, whether their interest be productive enterprise or portfolio investment. But we should not be content to rely upon them for maintenance of our international financial stability. If necessary, we must accept whatever sacrifices may be needed to enlarge our contribution as an international trading partner, because economic isolation is an impossibility for Australia.

ACCOUNTS. Assets increased by nearly £4m. to £368m., an all-time record. Net profit rose by £94,000 to £1,074,000, also a record. Increase in expenses was £177,000, and higher profits were achieved mainly because of more realistic charges for certain services, and additional income from increased business in some sections of the Bank's operations.

STAFF THANKED. The Bank's staff in Australia and London were thanked for the high standards maintained, and the service given over the year.



THE NATIONAL BANK OF AUSTRALASIA LIMITED

(Inc. in Victoria)

Registered Office: 271-279 Collins Street, Melbourne
Chief London Office: 6-8 Tokenhouse Yard, E.C.2

890 Offices throughout Australia. Total Assets: £368 million.

J. & F. STONE LIGHTING & RADIO LIMITED

Consolidated Profit & Loss Account

	1961	1960
	£	£
Group Profit before taxation	890,969	802,769
Taxation	470,000	416,500
Dividend (35%)	257,250	257,250

Consolidated Balance Sheet

Issued Ordinary Capital	1,200,000	1,200,000
General Reserve	700,000	600,000
Unappropriated Profits	298,833	235,114

The Board has decided to recommend a free bonus issue of one new stock unit of 5s. in respect of every two stock units held. Subject to profits being maintained at a satisfactory level, and in the absence of any adverse circumstances not at present foreseen, it is the intention to recommend dividends on the capital as increased by the proposed bonus issue at the rate of 30% for the year ending 30th June, 1962, which is the equivalent of 45% on the present capital.

STAVELEY INDUSTRIES LIMITED

FACTORS AFFECTING PROFITS

The ninety-eighth annual general meeting of Staveley Industries Limited was held on December 6th in London, Mr John P. Hunt, TD, the chairman, presiding.

The following are extracts from his circulated statement:

Last year I said that it would be reasonable to look forward to a further increase in profits but as indicated in March of this year they have fallen from £1,657,843 to £1,385,404.

This reduction in profits in the main is attributable to three factors. Firstly, the expected improvement in Canada did not materialise and in fact trading conditions in that country rapidly deteriorated, particularly in the West. As a result, not only was general profitability of the Standard-Modern Tool Company Limited reduced but in addition serious losses were incurred in the form of bad debts and repossession of equipment sold on hire purchase terms. There are now some indications of improvement in the Canadian economy, nevertheless certain steps have been taken to reduce and also to concentrate our operations. Your directors considered it prudent to write down the investment in this company by £250,000 out of capital reserves. Secondly, the difficulties of the machine tool subsidiaries proved more prolonged than anticipated—difficulties which have been accentuated by labour shortages and a large programme of machine tool redesign. Thirdly, during the past year our research and development costs in relation to those subsidiaries interested in machine tools have been in excess of £220,000—more than twice the previous year's figure—nevertheless a most necessary expenditure for the future success of the Group.

Your directors recommend a final dividend of 8 per cent, less income tax, which makes a total of 11 per cent for the year.

The authorised share capital of the company was increased to £10,000,000 at the annual general meeting held on December 7, 1960. Your directors have no present plans for the issue of the additional shares.

Your board has decided to prepare future accounts to September 30th. The next accounts will be for a period of fifteen months to September 30, 1962. Alterations will be necessary in the dates of payment of dividends and for this initial period your board will consider the payment of interim dividends on March 31 and June 30, 1962, and a final dividend in March, 1963. Thereafter it is anticipated that an interim dividend will be paid in June and a final dividend in March of each year.

The Staveley Research Department was the first integrated industrial machine tool research unit in the country and considerable technological advances have been made which have contributed to our improved machine tool order book.

Operations throughout have been hampered by the acute shortage of skilled labour, especially in the machine tool companies. Apprentice training schemes have been extended in an attempt to ease the position. The Group has satisfactory order books and given reasonable trading conditions I look forward to the future.

The report was adopted.

HALEYBRIDGE INVESTMENT TRUST LTD.

COMPANY'S STRONG POSITION

The fourteenth Annual General Meeting of Haleybridge Investment Trust Limited was held on November 30th in London, Sir Aynsley Bridgland, CBE (the Chairman), presiding.

The following is an extract from his circulated statement:

The consolidated Accounts before you show a net profit after tax of £138,674, which is an increase of £11,632 over that of the previous year. Your Board recommend a final dividend of 7½ per cent making a total for the year of 12 per cent, and after payment of this dividend the balance carried forward on Revenue Account will be £179,036, an increase of £12,379.

During the year the market value of the quoted investments has increased by £782,073. They now appear in our Balance Sheet at a figure which is £2,497,769 below their Stock Exchange value.

I should perhaps say something more about these quoted investments which predominantly represent our shareholding in the Regis Property Co. Limited, a company which we, as a group, started and have built up through the years, and whose business is confined to investment in revenue producing properties.

The book value of the Regis company's assets, as its shareholders have been told, is considerably below the present market value and its income is shown in the statement issued by the Company to be steadily increasing. It is an exceedingly valuable investment and our holding, together with that of our Associates, gives us effective control, and provides us with a steadily increasing income. Even if we realised these investments it is in the opinion of your Board difficult indeed to reinvest our moneys in as satisfactory a manner. We are, therefore, very content to hold them.

In view of what I have said I think it would be the shareholders' opinion that our Company's position is a strong one.

The operations of our group are conducted by several subsidiaries, all of whom perform some part in the various transactions in which we are engaged.

These subsidiaries provide us with the machinery to raise money on a temporary basis, to carry through to completion our plans for extensions of our portfolio whether in flats or offices, to earn fees for services rendered to our clients and to enable us to preserve our investment income while our negotiations are pending by absorbing charges that are properly levied on the cost of the buildings or other projects we are striving to complete.

Our work each year, therefore, is through these subsidiaries to carry projects that are in various stages of negotiation until such time as they can be incorporated finally in our portfolio of investments, or otherwise disposed of.

By this means we are able to initiate, investigate and do all that is necessary to produce a result that in the end increases our revenue, without, in the meantime, having affected our investment income.

The dividend of 12 per cent which is recommended for the year largely comes out of a stable income, which gradually but surely is increasing and I am optimistic enough to say that this

increase should go on for some years to come unless some unforeseen contingency arises. It must not be forgotten that our income from other sources can add considerably from time to time to our revenue.

The report and accounts were adopted.

ALSTONS LIMITED

PRÉCIS OF PRESIDENT'S REVIEW

At the annual general meeting held on November 16, 1961, the Directors' Report and Annual Audited Accounts for the fiscal year ended June 30, 1961, were adopted.

The Profits of the Company after taxation, write-offs and transfer to reserves totalled \$813,374. Preference and Ordinary Dividends absorbed \$475,537, leaving \$337,837 to be carried forward.

A resolution was passed for the payment of final dividend of 10 per cent (less tax) in addition to interim dividend of 6 per cent (less tax) paid in April.

The Consolidated Group Accounts revealed profit (after taxation and write-offs) of \$1,339,256, of which profits attributable to shareholders of Alstons Limited (after adjustments and transfers to reserves) totalled \$781,310. Capital and Revenue Reserves totalled \$4,651,817 by comparison with \$3,992,932 at June 30, 1960.

Resulting from the take-over bid in July, 1961, by Caroni Limited for share capital of Woodford Lodge Estates Limited, a capital gain of \$379,551 on disposal of the Company's shareholding was realised, and will be reflected in next financial year's accounts.

Two subsidiaries, Carib Glassworks Ltd., and Styrotex Ltd., incurred losses, but all other subsidiaries returned satisfactory results. Expansion programme of C.D.C. Ltd. started 1958-59 nears completion with total expenditure to date \$2,994,453. C.D.C.'s subsidiary island breweries in St. Kitts and Grenada commenced brewing in September-October, 1961.

FURTHER ACQUISITIONS

The Company has acquired further shares of \$250,000 in Tugs & Lighters Ltd., which Company's business continues to increase. By purchasing minority shares previously held by other shareholders, the Company acquired the entire shareholding in Spencer J. Kirton Ltd., whose trading results were satisfactory. A controlling interest in Metal Products Ltd., which manufactures Steel Windows, Doors, etc., under pioneer status, was acquired in July, 1961.

The President referred to the retirement on medical grounds of Sir Gerald Wight from the Board and the office of President, effective September 30, 1961, and paid tribute to Sir Gerald who had been responsible in large measure for the success of the Group. Regret was also expressed at the resignation of Major Alan Storey from the Board, effective June 30, 1961, and Mr Rupert Alexis as Consultant to the Produce Department.

It was resolved that the Articles be amended to enable the Directors to grant a pension on retirement to any Director who had previously held a salaried office with the Company.

A quotation for the Ordinary Shares on the London Stock Exchange had been obtained by successfully placing 50,231 \$5.00 shares at \$9.60.

SOCIÉTÉ ANONYME MÉTALLURGIQUE D'ESPÉRANCE-LONGDOZ LIÈGE, BELGIUM

AGREEMENT WITH THE ALLEGHENY LUDLUM STEEL CORPORATION

The Annual General Meeting of the Société Métallurgique d'Espérance-Longdoz was held on October 24th, and the following is a summary of the report presented by the Board of Directors.

REVIEW

During the year under review, the scope of the Company was broadened considerably by acquisition of the coal mine of Winterslag, and two agreements with the Allegheny Ludlum Steel Corporation of Pittsburgh and with two neighbouring firms in Belgium. The first agreement sets up a new Company called Allegheny-Longdoz which will manufacture stainless and special steels so that for the first time the Company will make other than mild steels. Under the second agreement with two Belgian firms in the same neighbourhood, the three Companies will together operate an electrolytic tinning and galvanising plant belonging to one of them.

The most important development during the year was the complete remodelling of the investment programme. A site has been chosen at Chertal in the lower valley of the Meuse near Liège for a new works which will operate in conjunction with those already existing at Seraing, Jemeppe and Flémalle.

The new plant will include an LD works which was originally planned for Seraing and which will include two converters each of 120 tons. The slabbing mill will take ingots up to 25 tons each. The most significant part of the plant, however, will be the two metre wide strip mill.

The capital needed for investments during the period 1959 to 1964 will be Bfrs. 7,500 million, of which Bfrs. 400 million have been received by an increase in the capital in January, 1960. Credits from the C.G.E.R. and the S.N.C.I. total Bfrs. 2,650 million (half from each). A loan of \$7 million has been made by the High Authority and Bfrs. 2,800 million will be ploughed back from profits.

During the last two years, there has been a true investment race in the Iron and Steel Community and especially in the flat plate section, and it is certainly necessary that investment policies of companies in the Community should be co-ordinated, as has been suggested in some circles in France and Germany.

IRON AND STEEL

The equipment programme for the three existing works was continued in addition to new expenditure at Chertal. The production of coke, pig iron and steel was affected by strikes but three blast furnaces were relined in order to allow for an increasing use of sinter. The operation of the rolling mills was improved still further so that the total annual output of cold rolled products reached 439,236 tons.

COAL

Due to increased mechanisation the production at Winterslag was raised by 19 per cent although the labour force fell by 452. 60 per cent of the coal sold was taken up by Espérance-Longdoz itself, 33 per cent by outside customers,

the remainder at the pithead and in the homes of the employees of the mines.

PROFIT AND DIVIDEND

The capital was raised on October 25, 1960, to Bfrs. 2,400 million. Net profit of the year after deduction of Bfrs. 499,860,375 in respect of amortisation amounted to Bfrs. 413,108,769. After various charges and the transfer to the Reserve Fund of Bfrs. 130 million, the profit available for distribution was Bfrs. 176,958,526. It is accordingly proposed to distribute a net dividend of Bfrs. 300.

BOARD OF DIRECTORS (Conseil d'Administration)

Philippe Le Hodey (Président); Jean-Marie Roelands (Vice-Président); Baron de Posson (Administrateur-Délégué); Pierre de M. d'Annevoie; Paul van den Corput; Pierre Ranscelot; Edouard de Cousse; Charles Liagre; Vic. Philippe le Hardy de Beaulieu; Baron Coppée; Paul Heurard.

CROMPTON PARKINSON LIMITED

RECORD TURNOVER AND PROFITS INCREASED EXPORTS

MR ALBERT PARKINSON'S REVIEW

The forty-eighth Annual General Meeting of Crompton Parkinson Limited, was held on December 7th in London, Mr Albert Parkinson, MBE, the chairman, presiding.

The following is an extract from his statement which had been circulated with the report and accounts for the year ended June 30, 1961:

The consistency of your Company's output in almost all its activities enables it now to look back at a year of both record turnover and record profits. The trading surplus, including investment income, has increased this year by £225,000 to £2,960,000—an increase of 8 per cent compared with the previous year. After Taxes, the consolidated net income is £1,306,000, of which it is proposed to distribute £582,000 and retain £724,000 in the Group. The Final Dividend of 7½ per cent on the Ordinary Stock which is recommended by the Directors makes an unchanged dividend of 12½ per cent for the year subject to income tax. The Directors propose to allot a limited number of ordinary shares year by year and to simplify the means by which

COMPANY MEETING REPORTS

CORONATION SYNDICATE, LIMITED

(Incorporated in the Republic of South Africa)

The fifty-sixth annual general meeting of Coronation Syndicate, Limited will be held on December 22nd in Johannesburg.

The following are extracts from the circulated review by the chairman, Mr S. F. Dench, FCIS:

The net profit for the year earned by the Group, after charging R70,037 for depreciation and after transferring R9,068 to Output Equalisation Reserve and R4,550 to Cost Equalisation Reserve, was R369,459 as compared with R385,542 for the previous year.

Muriel Mine: The Ore Reserves are computed at 201,960 tons having a value of 10.4 dwt. per ton over a stoping width of 53 inches. Compared with last year, the tonnage is practically

persons in the Company's service can purchase ordinary shares in Crompton Parkinson Limited.

OVERSEAS

Since early 1959 the value of world exports has shown a remarkable increase and has sent levels of production to record heights.

In Australia business conditions have been difficult but our factories repeated the good results of last year. In India our jointly owned companies improved still further on the success of last year. In both South and Central Africa, despite disturbing conditions, there was an improvement in the performance of our companies. During the year our earnings from associated Lamp and Cable factories throughout the world, have shown a substantial increase. Direct exports have increased by 15 per cent on last year.

UK ACTIVITIES

In general terms our heavier products have faced difficulties during the year, while other products such as cables and lamps have shown encouraging evidence of recovery. Derby Cables Ltd. has had a busy year and there is some improvement from the drastically uneconomic prices from which the Cable industry suffered so seriously in the recent past. In the medium range of industrial motors, the output has been considerably increased and the demand has been buoyant. Fractional Horse Power

THE ECONOMIST DECEMBER 9, 1961

unchanged; the width has increased by 3 inches while the average value is lower by 0.1 dwt. per ton.

The working profit at the mine was R233,580, a decrease of R9,262 on the previous year. Working costs per ton milled were R6.39 against last year's figure of R6.26.

Arcturus Mine: The Ore Reserves are computed at 321,600 tons having a value of 7.4 dwt. per ton over a stoping width of 59 inches. Compared with last year there is a decrease of 25,850 tons; the average width is higher by one inch, and the value by 0.1 dwt.

The working profit at R224,078 before charging depreciation, reflects an increase of R5,554 on that for last year. Working costs per ton milled were R5.43 as compared with R4.99 for the previous year.

Tebekwe Mine: Tribute royalty received during the year amounted to R1,894 as compared with R2,030 for the financial year ended June 30, 1960.

Motor production has felt the effects of the situation existing in the domestic appliance field, although, the industrial demand has remained good. Just as the appliance market has felt the curbs of Government fiscal measures, so has Traction business been affected by decisions relating to railway modernisation. The Company's Lamp business continues to make steady progress. In the last year new types of lamps have been produced which have met with a good response on the market. During the year our Lighting Fittings Works at Doncaster and our Battery Works at Newport have maintained their position most satisfactorily. Our Stud Welding business similarly enjoyed good trading.

THE OUTLOOK

Whilst the Company's outstanding orders are good, it is likely that because of rising costs, most of these will have to be executed at profit rates which must be below those which we have experienced in this last and preceding years. Furthermore the consistency of demand will not, we believe, manifest itself to the same degree in the coming year and this is especially applicable to fields of Traction and Transformers. Every year the generation of electricity in almost every country in the world shows a striking increase. I believe that there can be no doubt about the inspiring prospects which confront our own industry and we must and will play our full part in the future.

COMPANY AFFAIRS

Poor Showing from Steels

THE steel dividend season opened later than usual with the first of the eleven major steel companies (including the government-owned Richard Thomas and Baldwins) to report being Thomas Firth and John Brown. The stock market was not deceived by this company's relatively good showing; but neither was it fully prepared for the shock of no interim from Consett Iron. After that it was at least ready for the sharp drop in profits reported by the biggest and most broadly based of the steel companies, United Steel. Gloomy forecasts have proved all too correct and these results, it still has to be remembered, include the first half of the "steel year" (which for all companies except Consett ends on September 30th) in which most of the companies were not faring too badly even though margins were being squeezed.

United Steel's interim statement, for example, reported higher sales for the six months to end-March but a fall in trading profits from £10½ million to £9¼ million. Since then, however, output has progressively declined as merchants and consumers have reduced their stocks. If this destocking process, which is discussed in an earlier note, continues the 1961-62 results could prove as disappointing as those which investors are now digesting.

They undoubtedly are wondering whether any of the companies still to report can possibly match the performance of Thomas Firth and John Brown. This company is not, however, typical, for it produces alloy and stainless steels and together with English Steel Corporation owns Firth Vickers Stainless Steel. The market for its heavy forgings has weakened but this has been offset by the substantial improvement in demand for its special steels. Thus, as the table shows, gross profits have actually risen, even though the chairman had said earlier that higher costs would reduce profit margins by £500,000. It is noteworthy that the maintained dividend of 12½ per cent is now more than covered by investment income alone. This could make a higher payment feasible in the future, as the company is well-endowed with liquid resources.

United Steel's results were much in line with expectations. The interim statement in June suggested that an earlier fore-

cast that profits would be down by between 10 to 15 per cent would prove too optimistic. Output for the year fell by only 3 per cent and the directors say that the main reason for the sharply lower profits was increased costs of which only a small part was covered by the one per cent increase in steel prices. In the second half of the year United Steel's profits before all charges fell by as much as 30 per cent but this compares with a boom period in 1960. Despite the sharp decline in profits the group's cash flow has remained high, and, as £10 million of new money was raised in January, United Steel should have no difficulty in financing its expansion plans, now scaled down.

The interim results from Consett Iron for the six months to end September cover a period of relative depression for the industry as a whole. The fall in demand for Consett's products occurred when its new £14 million plate mill was coming into operation and hence when much heavier charges for depreciation and loan interest had to be borne. On these figures it is not surprising that the interim dividend has been passed and prospects for a final dividend look none too bright. The company is now awkwardly placed: it will want to keep its cash flow as high as possible but it must be reluctant to pass the dividend completely for it may well have to come to the market for fresh capital within the next two to three years. At the end of March its capital commitments amounted to £11 million; Consett has borrowed £9 million from FCI, of which at least £8 million is repayable by 1965, and it has overdraft facilities of up to £9 million, also repayable in 1965. At the end of March the overdraft amounted to £1.8 million while the cash flow was running at £2.8 million—a level which will clearly not be reached in the year to March 31st.

The delay in the announcement of the final results from South Durham Steel and Iron seemed ominous. So it has proved, for the total dividend has been cut from 12 to 10 per cent. But the market had marked down the shares sharply before the preliminary announcement and its publication produced no further fall in the price. As the table shows gross profits have fallen

STEEL PROFITS AND DIVIDENDS

	Gross profit		Depreciation		Net profit		Net Cash flow		Dividend per cent		Price Yield %	
	1960	1961	1960	1961	1960	1961	1960	1961	1960	1961	1960	1961
United Steel	27.67	22.15	4.75	5.33	11.35	9.43	12.88	11.03	14.4*	12.3*	38/7½	6.4
John Summers	14.34	13.18	4.57	4.72	4.67	3.65	7.25	6.38	15	15	43/6	6.9
South Durham	8.09	7.09	1.85	2.18	4.48	2.12	5.07	3.19	12	10	23/-	8.7
Thos. Firth	5.36	5.42	0.73	0.87	1.76	1.83	2.43	2.58	12½	12½	43/3	5.8

Six months to Sept. 30

Consett..... 2.35 1.68 0.72 1.00 1.00 0.19 1.53 1.19 3 ... 18/- ...

* Adjusted for one-for-four scrip issue 1961 payment on capital as increased by one-for-three rights issue at par.

by £1 million, or 12½ per cent, but a higher depreciation charge and a doubled interest charge have halved net profits so that, after allowing for the benefit of initial allowances, earnings cover the reduced dividend only 1½ times. The company has completed a large part of its expansion programme and its new South Works at Hartlepool came into full production in June but like Consett it had added to its plate capacity at a time when demand had fallen. But even at less than capacity working the new mill should reduce production costs. The company has also in recent years developed capacity for the manufacture of large-diameter pipes, particularly for the oil industry; here too demand was slack early in the year; the improvement in business later in the year was probably too late to have much effect on results.

With its business largely tied up with the motor car and consumer durable industries, John Summers, primarily a producer of sheet, had been expected to produce less favourable results than most other steel companies. Thus a fall of only 8 per cent in the group's profit surprised the market, where it had been suggested that the final dividend might have to be cut. It was, however, maintained at 9 per cent making an unchanged total of 15 per cent and the shares gained 1s. 6d. to 43s. 6d. The better than expected results reflect the completion of major alterations at Shotton, where since 1948 development had absorbed as much as £60 million. Now development is concentrated upon the other works at Shelton; this programme will cost £18½ million and total capital expenditure over the next three or four years is estimated at £25 million. The company's intention is to finance this expenditure largely from internal resources and even though the cash flow has been kept at a high level without any reduction in dividend the company will be hard put to it to live up to this intention.

Brewery Mergers

THERE are still a fair number of independent local breweries, primarily in the north of England, and the process of concentration within the brewing industry into regional and national groups still has a little way to go. After the spectacular bout of mergers in the spring, there was something of a lull in the summer but this week brewing shares, already enlivened by the prospects of higher profits, were stirred into speculative activity again by the news of more mergers. Many brewing shares were marked up, perhaps rather heedlessly, and later profit taking clipped the gains.

Of the latest offers, the most significant is the bid by Whitbread of seven "A" ordinary shares for every ten ordinary shares in Tennant Brothers of Sheffield. Tennant has lived under the Whitbread umbrella since 1953; since Whitbread owns a 15 per cent stake in the company and the Tennant directors and their associates another 25 per cent or so, a counter offer from any other brewery seems improbable. Whit-

APPOINTMENTS

GOVERNMENT OF THE FEDERATION OF RHODESIA & NYASALAND

DEPARTMENT OF TAXES VACANCIES FOR TAX OFFICERS AND ASSESSORS

Tax Officer applicants must have one or more of the following qualifications: B.Com., Final C.I.S., or C.C.S., C.A., A.S.A.A., or A.C.C.A. Commencing salary depending on qualifications and experience, £795 10s. to £1,182 10s. p.a. There are good promotion prospects because a Tax Officer after serving for one year on a salary of £967 10s. p.a. gains automatic promotion to Assessor Grade II at a commencing salary of £1,343 15s. p.a. rising on a scale to £1,666 5s. per annum.

Three-year contract appointments may be offered to Tax Assessor applicants who are Chartered, Incorporated or Certified Accountants with at least one year of post-qualification experience, and to holders of B.Com. degrees or Final C.I.S., or C.C.S., with three or more years of post-qualification accounting experience. Family passages, pensions, medical aid, generous sick and occasional leave, low income tax, good schools (free tuition), opportunities for sport and recreation in excellent climate. Application forms and further details from the Secretary (R), Rhodesia House, 429, Strand, London, W.C.2.

Closing date December 29, 1961.

UNIVERSITY OF SYDNEY

LECTURESHIP/ SENIOR LECTURESHIP IN ECONOMICS

Applications are invited for the above mentioned position.

The salary for a Senior Lecturer is within the range £A2,550 x 95-£A3,000 per annum; for a Lecturer within the range £A1,30 x 105-£A2,435 per annum. In each case cost of living adjustments will be allowed (at present £A47 p.a.). The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant.

Under the Staff Members' Housing Scheme in cases approved by the University and its Bank, married men may be assisted by loans to purchase a house.

Further particulars and information as to the method of application may be obtained 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 February 9, 1962.

For further appointments and other
classified advertisements see pages
1082 and 1083

STAFFORDSHIRE COUNTY COUNCIL

EDUCATION DEPARTMENT

Applications are invited from suitably qualified persons for the newly-established appointment of STATISTICS OFFICER in this Department. Salary: A.P.T. Grade III (£600-£1,140 p.a.). Application forms and further particulars may be obtained from the Director of Education (Admin.), Education Offices, Earl Street, Stafford, to whom completed applications should be returned by December 22, 1961.

L. H. EVANS,
Clerk of the County Council.

OVERSEAS DEVELOPMENT INSTITUTE

RESEARCH OFFICERS

The Overseas Development Institute requires two research officers to work on problems of world development and aid of all kinds. One should be a professional economist; the other should be of similar standing but have specialist training in another subject (preferably a social science). Candidates must have good academic qualifications and considerable research experience.

Salary: Within the range of £1,500-£2,500 p.a. Appointment for 3 years in the first instance. Applications should be sent by 18th December, 1961, to the Director, Overseas Development Institute, 100, Piccadilly, London, W.1. from whom further information can be obtained.

APPLIED STATISTICS

C. & J. CLARK LIMITED. Shoemakers of Street, Somerset, who have increased their production fourfold in the last twelve years, wish to appoint someone experienced in statistics to join their research and development department.

WE are looking for a mathematics graduate who will preferably have specialised in statistics elsewhere in industry, who wishes to extend his experience and wants to apply statistical techniques to the solution of problems in a wide field. These will range from the design of industrial experiments to the design and analysis of population surveys. He should be aged up to 28 and his salary, dependent on his qualifications and experience, will be in the range £1,000-£1,300.

Please apply in writing to the Staff Recruitment and Development Officer, C. & J. Clark Ltd., Street, Somerset, quoting reference number TW. E.

bread "A" shares at 35s. 6d. impute about 24s. 10½d. for Tennant shares, which represents a good gain on the pre-bid price of 19s. 6d., Tennant shareholders gain substantially in income and receive slightly more of the combined equity that the company contributes to joint earnings.

The Whitbread directors say that the merger will make possible an increased use of production capacity, both for bottling and brewing, in Sheffield for Whitbread's beers and some rationalisation of distribution. As Whitbread's sales are expanding in the north, but still need to be expanded further, complete ownership of a brewing and bottling plant in Sheffield makes good tactical sense. But the bid has a strategic significance as well. In the past Whitbread has secured outlets for its branded beers by taking up minority interests in a number of breweries (eighteen, including Tennant, at this moment). These breweries continue to brew their own beers and they gain technical and managerial strength from their association with Whitbread; it also affords them some protection from being taken over. Recently Whitbread has been adding to its minority stake in these associates and the Tennant bid suggests that Whitbread is prepared to protect its own interests and those of its associates with a full scale merger if this seems desirable. To make this precedent clear to other brewers, it cannot afford not to gain control of Tennant. Such an oddity as a sword-umbrella has been made in the past and this is what Colonel Whitbread now seems to be brandishing.

The fastest growing brewery group in the last two years has been United Breweries, propelled by the ambition of the Canadian brewer, Mr E. P. Taylor. Having been defeated in the struggle for Bristol Georges, its empire has been confined largely to the north and it is no surprise that its latest bid is for another northern brewery, Hewitt Brothers of Grimsby. The series of take-overs has left United Breweries short of funds and it was inevitable that the latest bid should be all in scrip. For every Hewitt ordinary share, United Breweries is offering three of its ordinaries plus £3 of a new 6½ per cent convertible loan stock (1974-76), on which the conversion prices into United Breweries ordinaries are equivalent to 14s. 6d. in 1964-65 and 15s. 6d. in 1966-67. Philip Hill Higginson Erlangers is willing to acquire each £100 of the loan stock for £99, so that with United Breweries at 13s. 3d. the value imputed to Hewitt is just under £5. Before the bid they had moved up to an all-time peak of 85s. Hewitt shareholders gain in income and the loan stock element ensures that United Breweries' equity is not immediately diluted. Wood Hall Trust, owning 39 per cent of the Hewitt equity, has accepted the offer, which appears to ensure its success.

Yet another northern brewer, John Smith's Tadcaster, seeks to merge with a neighbour, Warwicks and Richardsons of

Newark-on-Trent. John Smith's is offering two of its ordinaries plus 5s. in cash for every five shares in Warwicks and Richardsons, so that the latter, with John Smith's standing at 68s. 6d., are valued at 28s. 6d. This compares with a price of 22s. 6d. at the beginning of November when the possibility of the merger was first mooted and 28s. 3d. on the eve of the announcement of the terms. Warwicks and Richardsons shareholders will gain handsomely in income.

Brewing Results

BEER consumption in the brewing year of September 30th was of the order of 28 million bulk barrels, compared with 27 million barrels in 1959-60 and 25½ million barrels in 1958-59. Prices were increased slightly at the beginning of the heavy summer trade this year and though costs have been rising the big regional and national brewers have begun to see some tangible benefits from the rationalisation of production and distribution after the mergers. In all, therefore, an increase in brewing profits was inevitable.

Equally certain was the expectation that Watney Mann, which has established itself as a national brewer, would be among the breweries to chalk up a satisfactory increase in profits. Watney Mann has grown by acquiring other breweries, to secure brewing plants, bottling stores and tied outlets in each important region, and by entering into reciprocal trading agreements (of which perhaps the most important provides outlets for its container draught, "Red Barrel," in the public houses of Ind Coope and United Breweries in return for outlets for their lagers). In the preliminary statement, the Watney Mann directors have adjusted the comparative figures for 1959-60 to allow for the consolidation of the profits of Wilson and Walker. Moreover, they have rightly excluded from the latest profits the windfall gain on stocks of £273,000 arising from the Chancellor's surcharge on excise duties. On the adjusted basis, gross profits after depreciation in the full year have risen by nearly 13 per cent, from £6,984,000 to £7,872,000. As much of the profit sharing bonus and much of the increase in depreciation falls on the accounts in the second half of the financial year, it would be wrong to assume that the rise in profits in the summer months was smaller proportionately than the rise in the winter ones. Indeed, sales have remained high throughout the whole of the year and they remain high now—particularly, it may be surmised, for the top quality draught beers and the bottled beers on which profit margins are usually higher than on the cheaper draught bitters and milds.

The group's net equity earnings have risen by 10 per cent, from £3,324,000 to £3,650,000 and the directors say that in normal circumstances these results and the present high level of sales would have justified an increase in the dividend. Shareholders must therefore blame the Chancellor for the fact that the dividend has been

left unchanged at 18 per cent. They will certainly look for a higher dividend in 1961-62 and, in the meantime, they will welcome the proposal to split the £1 units into 5s. shares, so as to make the market price less heavy. At the moment, it is as much as 104s. and the yield, nearly 2½ times covered by earnings, is 3½ per cent.

The directors of Arthur Guinness have already indicated that the 1960-61 dividend would be 22 per cent and it is duly declared, so that at 53s. 6d. the shares yield 4.1 per cent. Guinness is the odd man out in British brewing, for it concentrates on a single product, stout, and it possesses no tied outlets. About two thirds of its production comes from Dublin and the other third from Park Royal. It is probably the most efficient brewer of beer in the country—it has to be, because in order to secure access to the tied trade it has to promote the sales of stout over the heads of the other brewers and has to give them handsome margins on bottling. The trend in beer consumption has been running against the naturally conditioned, high gravity, bottled beers, of which Guinness is a prime example, and though the company was able to sell more than ever before in 1960-61 it did so at the expense of lower profit margins. Costs, the directors say, were rising; but, clearly, Guinness was not able to pass the increase on, and its gross profits fell by nearly three per cent, from £8,207,000 to £7,989,000 and its net profits by eight per cent, from £4,610,000 to £4,240,000. The directors of Guinness, in which family traditions and professional management are admirably blended, have long recognised the new problems posed in the industry by mergers and trade agreements. They have sought diversification in confectionery and pharmaceuticals and they are the principal backers of the venture in "Harp" lager, which, contrary to the Guinness tradition, is based on tied outlets. As profits on this venture lie some years ahead and as Guinness has to invest heavily in it now, shareholders must expect a lower rate of return on the capital employed in the next few years.

Distillers

As the industrial division of Distillers, which embraces chemicals, plastics and pharmaceuticals, experienced "a sharp reduction in profits" in the six months to September 30th, the whole of the admittedly slight increase in the group's income before tax from £15,931,000 to £16,359,000 must be attributed to the potable spirits division, which usually contributes about four fifths of the group's total profit. The directors say that home and export sales of Scotch whisky and gin were "satisfactory despite the unsettled conditions in the home market arising from the Chancellor's imposition of increased duty." The group must also have gained slightly from the small increase in the price of whisky and gin in this period. The industrial division was able to maintain its volume of sales reasonably well but, in the face of "except-

tional competition from overseas" only at the expense of lower profit margins. These conditions are likely to prevail throughout the rest of Distillers' financial year, but the directors expect that the trend of sales of whisky and gin will remain "favourable."

All this suggests that there will be little change in Distillers' gross and net profits in the year to March 31st and it is not surprising that the directors have simply conformed to an earlier forecast by declaring an interim of 6 per cent on the capital as increased by the one-for-ten rights issue. The Distillers shares weakened ahead of this announcement and now stand at 38s. 7½d. They yield 3½ per cent on the assumption that the final will be 8½ per cent.

Great Universal Stores

THE possibilities of the alliance to handle GUS properties between Messrs Cotton and Clore and Mr Wolfson have masked to some extent the better-than-expected half yearly results from Great Universal Stores. In the six months to September 30th, GUS's trading profits rose from £13.2 million to £13.8 million; but the figures understate the improvement, for in 1960 the provision for unearned hire purchase profits had been reduced by £545,000 whereas in the latest period this provision has been increased by £50,000. After taking these adjustments into account, the true increase in profit is just over 9 per cent, from £12.7 million to £13.8 million. But a higher tax charge, reflecting the increased rate of profits tax, absorbs most of the increase in gross profits so that equity earnings are only slightly higher at £5.3 million. Since GUS was the very first company to respond to the Chancellor's appeal for dividend restraint by keeping the 1960-61 total at 37½ per cent it is no surprise that the interim dividend for the current year is unchanged at 12½ per cent; the 5s. "A" shares at 51s. 1½d. now yield 3.7 per cent.

In the previous year the effects of hire purchase controls had been more marked than expected since only 15 to 20 per cent of total sales came from HP contracts. But

the current results suggest that the group has successfully adapted itself to a changed pattern of buying and the shift in emphasis from hard goods to soft goods and from expensive articles to cheaper ones. The group's furniture business is also probably trading more profitably now and the Board of Trade's estimates of deliveries of domestic furniture to retailers suggest that prospects for this side of the business are brighter than for some time past. The group's short term prospects rest on the fact that two and three year-old hire purchase contracts are now coming to an end and on the extent to which purchasers enter into new commitments. If customers cut down their HP commitments, the trend towards short term credit sales is likely to be reinforced. GUS would not lose from this shift, for it has always offered short term credit and its mail order division is the biggest in Europe.

The implications of the property link up between GUS and City Centre are clearly for the long term and only generalities of policy have been disclosed. The joint property development company will re-develop "suitable GUS and other properties located mainly in the high streets of the principal towns in the United Kingdom." The range is wide, for GUS owns over 2,500 shops and stores.

Granada

MR B. L. BERNSTEIN's forecast that profits for the year to September 30th would be 2½ times greater than in the previous year has proved accurate. Trading profits rose from £2,679,000 to £6,883,000, after the ending of the networking agreement with Associated Rediffusion in July 1960. Even now Granada's results understate the benefit of the end of this agreement which protected it at first from very heavy losses; the point is that since the TV subsidiary's financial year ends on April 30th, the group's profits include only 9 months ex the networking agreement. Not surprisingly, the directors say that profits so far in the current year compare favourably with those for the corresponding period in 1960-61.

But it remains to be seen what the effects of the Equity strike will be. The 90 per cent dividend for 1960-61 compares with the equivalent of 36½ per cent. It would have been more but for the Chancellor's plea for restraint; earlier guesses of a total payment of 100 per cent were not wide of the mark, for earnings rose from 78½ to 221 per cent. Whether Granada will continue to enjoy such rich earnings depends on the course of television advertising and also on the terms of renewal of the licensing agreements which expire in 1964. The longer term uncertainty is reflected in the current yield of 7.6 per cent offered by the 5s. "A" shares at 58s. 10½d., but this is below the returns offered by the shares of other television contractors, apart from Associated British Picture.

Trust Houses—Lockhart

THE directors of Trust Houses, which runs about 230 hotels, have offered seven ordinary shares for every eight ordinary shares of the Lockhart Group, and one 6 per cent cumulative preference share plus 1s. 6d. cash for every 6½ per cent Lockhart cumulative preference share. The bid seems sure to succeed since the Lockhart directors are recommending it and they control over 60 per cent of the equity. The Lockhart Group runs about 800 canteens, mainly in factories. In addition it has an 84 per cent holding in the Associated Automatic Machine Corporation, which controls the British Automatic Company, thus giving Lockhart a major stake in machine vending. Since the offer Trust Houses ordinary shares have fallen 2s. 9d. to 69s. 6d. This puts a value of 60s. 9d. on Lockhart shares, against a pre-bid price of 43s. 9d. On last year's figures, Lockhart would contribute 20½ per cent of joint earnings and its shareholders will own just under 20 per cent of the combined equity. The nature of Lockhart's business differs in many respects from that of Trust Houses, though some of its catering and kitchen equipment interests provide common ground. As Lockhart is primarily concerned with contract catering it contri-

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LONDON AND NEW

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High	Low							High	Low						
921/2	883/8	Savings Bonds 3%.....1955-65	9011/16	9017/32	£ s. d.	£ s. d.	89/71/2	64/-	13 c	BANKS, DISCOUNT & HP		87/-	85/3	3.01	
1001/2	991/16	Conversion 4 1/2%.....1962	9913/16	9917/32	0 15 5	0 15 5	100/3	74/3	16 c	Barclays.....£1		87/-	85/3	3.01	
967/8	933/8	Exchequer 3 1/2%.....1962-63	9513/16	9517/32	0 14 1	0 14 1	100/3	80/-	13 c	District.....£1		93/8	93/6	3.42	
1015/16	985/8	Treasury 5 1/2%.....1962	1003/16	1005/32	2 17 5	2 17 5	100/3	26 1/4	8 b	Martins.....£1		67/8	67/-	3.25	
932 3/4	901 1/2	Exchequer 2 1/2%.....1963-64	923 3/4	922 3/4	4 12 6	4 12 6	94/6	67/3	19 c	Midland.....£1		90/6	90/6	3.26	
991 3/4	965/8	Conversion 4 1/2%.....1963	981 3/4	981 3/4	4 2 9	4 2 9	97/3	73/-	7 b	Nat Provincial.....£1		88/6	90/6	3.37	
989 3/4	941 1/2	Conversion 4 1/2%.....1964	967/8	967/8	4 3 8	4 3 8	95/6	58/9	7 1/2 b	Westminster 'B'.....£1		86/6	85/-	3.09	
1015/16	96	Exchequer 5 1/2%.....1966	983 3/4	983 3/4	3 14 8	3 14 8	44/9	35/3	4 a	Australia & N.Z. £1 p.p.		41/3	42/6	5.65	
831 1/2	783 1/2	Funding 3%.....1959-69	821 1/2	817/8	4 16 10	4 16 10	52/-	41/-	6 b	Bk. Lond. & S. Amer. £1		43/3	45/-	2.86	
801 1/2	843 1/2	Funding 4%.....1960-70	883 1/2	883 1/2	3 12 3	3 12 3	£24 1/2	£23 1/2	8 c	Bank of Montreal.....£10		£24 1/2	£24 1/2	5.19	
851 1/2	803 1/2	Savings Bonds 3%.....1960-70	795/8	791/8	4 17 5	4 17 5	30/3	25/1	10 c	Barclays D.C.O. £1		40/-	38/6	5.19	
721 1/2	661 1/2	Savings Bonds 2 1/2%.....1964-67	841/2	841/2	4 17 4	4 17 4	31/9	24/9	10 c	Chartered.....£1		53/3	52/9	5.69	
841 1/2	787/8	Savings Bonds 3%.....1965-75	711/2	711/2	4 15 11	4 15 11	60/7 1/2	46/7 1/2	5/-	Hongkong & Shanghai.....£25		£17	£17	4.41	
971 1/2	921 1/2	Funding 3%.....1966-68	841/8	831 1/2	4 16 6	4 16 6	£21	£14 5/8	10/-	Nat. Com. Bk. Scot. £10/-		52/-	52/-	3.20	
861 1/2	804 1/2	Victory 4%.....1920-76	94	93 3/4	3 10 2	3 10 2	70/6	49/9	7 1/2 a	Royal Bk. Canada.....£10		£28 1/2	£28 1/2	1.88	
931 1/2	87	Conversion 3 1/2%.....1969	85 3/4	85 3/4	4 13 4	4 13 4	£29 1/2	£25 1/2	6 1/2 a	Royal Bk. of Scotland.....£1		116/-	113/-	3.36	
951 1/2	88 1/2	Conversion 5%.....1971	92 1/2	92 1/2	4 3 1	4 3 1	119/6	96/3	10 b	Stand. Bk. S. Africa.....£1		40/3	40/3	7.45	
73 1/2	66	Conversion 5 1/4%.....1974	92 1/2	92 1/2	4 0 4	4 0 4	41/6	32/-	10 b	Hambros.....£1 f.p.		150/-	150/-	3.00	
72 1/2	65	Treasury 3 1/2%.....1977-80	69 3/4	69 3/4	4 13 2	4 13 2	165/-	95/-	5 b	Schroders.....£1		80/-	80/-	1.88	
97 1/2	88 1/2	Treasury 3 1/2%.....1979-81	69 3/4	69 3/4	4 13 2	4 13 2	89/6	59/6	6 1/2 a	Union Discount.....£1		53/3	52/9	4.74	
59 1/2	51 1/2	Redemption 3%.....1986-96	54 1/2	53 1/2	4 10 0	4 10 0	27/4 1/2	13/-	18 c	Bowmaker.....£1		13/9	13/6	1.14	
88 1/2	79 1/2	Treasury 5%.....1986-89	81 1/2	81 1/2	4 4 4	4 4 4	23/6	12/3	19 c	Lombard Banking.....£1		12/9	12/3	1.14	
63 1/2	55	Funding 3 1/2%.....1999-2004	57 1/2	57 1/2	4 8 2	4 8 2	21/9	12/9	7 1/2 b	Mercantile Credit.....£1		14/1 1/2	13/10 1/2	4.50	
94 1/2	81 1/2	Treasury 5 1/2%.....2008-12	83 1/2	83 1/2	4 3 10	4 3 10	210/-	132/-	22 1/2 b	United Domin. Trs. £1		146/3 1/2	143/9 1/2	3.69	
65 1/2	56 1/2	Consols 4%.....after Feb. 1957	59 1/2	58 1/2	4 4 8	4 4 8	19/6	61/6	10 b	Breweries, etc.					
59 1/2	50 1/2	War Loan 3 1/2%.....after 1952	51 1/2	51 1/2	4 3 9	4 3 9	15/-	11/-	8 1/2 b	Bass, M. & B. £1		14/6	14/10 1/2	3.70	
50 1/2	43 1/2	Conv. 3 1/2%.....after Apr. 1961	51 1/2	51 1/2	4 4 6	4 4 6	18/8	11/1 1/2	6 1/2 a	Distillers.....£1		38/6	38/7 1/2	3.75	
44 1/2	36 1/2	Treasury 3%.....after Apr. 1966	44 1/2	43 1/2	4 4 5	4 4 5	26/9	13/-	8 1/2 a	Flowers.....£1		17/3	17/3	2.76	
43 1/2	36 1/2	Consols 2 1/2%.....after Apr. 1975	38 1/2	37 3/4	4 0 11	4 0 11	60/6	50/-	8 a	Guinness.....£1		55/9	55/9	4.10	
91 1/2	85 1/2	Treasury 2 1/2%.....after Apr. 1975	37 1/2	37 1/2	4 2 10	4 2 10	14/10 1/2	12/-	7 1/2 b	Ind. Coope. T.A. £1		14/7 1/2	14/7 1/2	4.10	
75 1/2	70 1/2	British Electric 4 1/2%.....1967-69	91 1/2	91 1/2	4 5 2	4 5 2	42/-	30/-	6 1/2 a	Teacher (Distillers) £1		36/9	36/9	3.40	
70 1/2	64 1/2	British Electric 3 1/2%.....1968-73	74 1/2	74 1/2	4 17 3	4 17 3	105/6	76/9	6 a	Watney Mann.....£1		103/6	105/3	3.42	
81 1/2	74 1/2	British Electric 4 1/2%.....1974-79	79 1/2	79 1/2	4 15 0	4 15 0	37/9	26/-	27 c	Whitbread 'A' £1		37/6	35/9	3.78	
73 1/2	67	British Electric 3 1/2%.....1976-79	69 1/2	69 1/2	4 13 0	4 13 0	6 3/4	13/-	18 c	Associated Portland.....£1		55/6	53/3	3.13	
84 1/2	78 1/2	British Gas 4%.....1969-71	84 1/2	84 1/2	4 8 11	4 8 11	64/-	44/10 1/2	3 a	British Plaster Bd. £1		23/4 1/2	22/9 1/2	5.49	
82 1/2	76	British Gas 3 1/2%.....1969-71	81 1/2	81 1/2	4 12 5	4 12 5	28/1 1/2	19/10 1/2	4 a	Richard Costain.....£1		17/1 1/2	16/4 1/2	4.89	
59 1/2	51 1/2	British Gas 3%.....1990-95	53 1/2	53 1/2	4 12 1	4 12 1	16/10 1/2	16/10 1/2	10 b	Crittall Mfg. £1		10/3	10/3	7.06	
75 1/2	70 1/2	British Transport 3%.....1968-73	74 1/2	74 1/2	4 17 3	4 17 3	13/-	9/4 1/2	10 b	International Paints.....£1		10/9	10/6	7.62	
80 1/2	74	British Transport 4%.....1972-77	77 1/2	77 1/2	4 9 4	4 9 4	18/6	10/-	14 b	London Brick.....£1		94/-	95/6	3.74	
61 1/2	53 1/2	British Transport 3%.....1978-88	56 1/2	56 1/2	4 15 5	4 15 5	66/9	40/6	25 c	Rugby Portland.....£1		56/3	54/9	4.28	
							28/4 1/2	18/3	12 1/2 b	Taylor Woodrow.....£1		20/6	19/7 1/2	3.66	
							167/1 1/2	119/6	7 1/2 a	Wall Paper Def. £1		136/1 1/2	136/6	3.66	

NEW YORK PRICES AND INDICES

Prices, 1961		DOMINION AND CORPORATION STOCKS		Price, Nov. 29, 1961	Price, Dec. 6, 1961	Yield, Dec. 6, 1961
High	Low					
82 1/4	76 1/2	Australia 3 1/2%.....1965-69	81	80 1/2	£ s. d.	£ s. d.
101 1/2	92 1/2	Australia 6%.....1974-76	97 1/2	97 1/2	6 13 0	6 13 0
72 1/2	64 1/2	Ceylon 4%.....1973-75	66 1/2	66 1/2	8 7 0	8 7 0
101 1/2	92 1/2	New Zealand 6%.....1976-80	95 1/2	95 1/2	6 10 0	6 10 0
81	73	Rhodesia and Nyasaland 6%.....1978-81	76 1/2	76 1/2	8 14 0	8 14 0
59 1/2	53 1/2	Southern Rhodesia 4 1/2%.....1980-85	88 1/2	88 1/2	12 6 1	12 6 1
94 1/2	85 1/2	Agricultural Mortgage 5 1/2%.....1967-70	88 1/2	88 1/2	6 12 6	6 12 6
89 1/2	82 1/2	Birmingham 4 1/2%.....1967-70	88 1/2	88 1/2	6 8 0	6 8 0
92 1/2	86 1/2	Bristol 5%.....1971-73	88 1/2	88 1/2	6 8 0	6 8 0
93 1/2	86 1/2	Corporation of London 5 1/2%.....1976-79	88 1/2	88 1/2	6 7 0	6 7 0
48 1/2	41 1/2	L.C.C. 3%.....after 1920	42 1/2	42 1/2	7 1 0	7 1 0
89 1/2	80 1/2	L.C.C. 5%.....1980-83	83 1/2	83 1/2	6 9 0	6 9 0
83 1/2	84 1/2	Middlesex 5 1/4%.....1980	88 1/2	88 1/2	6 9 0	6 9 0

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

1961		425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %
Nov. 8		74.51	2.74	34.50	4.73	66.90	2.94
" 15		75.31	2.72	34.59	4.72	67.97	2.90
" 22		75.40	2.77	34.14	4.79	67.80	2.91
" 29		75.49	2.76	33.90	4.82	67.26	2.93
Dec. 6		75.97	2.77	33.56	4.83	66.59	2.83

425 Industrials—High, 75.97 (Dec. 6). Low, 60.87 (Jan. 3).

* Ex dividend. † Tax free. ‡ Assumed average life 7 1/2 years. § The net redemption yields allow for tax at 7s. 9d. in £. || Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital dividend of 1s. 0d. per share. (f) Flat yield. (g) Equivalent to 7-2 sterling. (h) After Rhodesian tax. (i) To latest date.

YORK STOCKS

Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Nov. 29, 1961	Price, Dec. 6, 1961	Yield, Dec. 6, 1961	Cover
High	Low	%	%						
FOOD & TOBACCO									
34/-	17/4 1/2	10 c	10 c	Allied Suppliers.....	10/-	19/7 1/2	20/7 1/2	4.85	2 1/4
15/-	7/9 3/4	12 1/2 b	10 a	Assoc. British Foods.....	1/-	12/1 1/2	11/3	2.00	2
74/-	54/3	8 b	4 a	Bovril.....	£1	56/9	56/9	4.02	3 1/2
119/9	121 1/2	15 1/2 b	10 b	Brooke Bond 'B'.....	5/-	13/5 1/2	13/6	4.02	3 1/2
19/3	12/6	2 1/2 a	10 b	International Tea.....	5/-	12/10 1/2	13/1 1/2	4.76	11 1/2
107/9	65/-	10 1/2 b	5 a	J. Lyons 'A'.....	£1	73/9	72/3	4.38	1 1/4
35/6	25/9	9 b	5 a	Ranks.....	10/-	29/6	28/6	4.91	2
14/0 3/4	10/4 1/2	7 1/2 b	2 1/2 a	Spillers.....	5/-	11/6	10/6	4.76	2
50/-	38/7 1/2	9 b	3 a	Tate & Lyle.....	£1	48/3	48/1 1/2	4.99	2
20/10 1/2	14/10 1/2	5 b	9 b	Unigate.....	£1	15/6	15/6	6.02	2 1/4
33/9	17/6	11 1/2 b	11 1/2 b	Brit. Amer. Tobac. £1	58/9	58/9	58/9	5.61	2
71/9	64/9	15 b	5 a	Gallaher.....	10/-	37/10 1/2	35/7 1/2	6.95	2
51/6	35/7 1/2	14 b	8 1/2 a	Imperial Tobacco.....	£1	66/3	64/9	6.95	1 3/4
INSURANCE									
15 1/2	11 1/2	155 b	150 a	Britannic.....	5/-	15/-	15/-	2.81	
86/3	60/6	25 b	20 a	Commercial Union.....	5/-	69/9	67/3	3.35	
33 1/4	17/6	141-17c	141-17c	Equity & Law Life.....	8/6	33 1/4	33 1/4	0.86	
88 1/4	51/10 1/2	20 b	10 a	General Accident.....	5/-	84/6	83/9	1.79	
60/6	42/7 1/2	40 b	35 a	Guardian.....	5/-	53/3	52/-	2.56	
39 1/2	23 1/2	110 b	80 a	Legal & General.....	5/-	38 1/2	37 1/2	1.26	
146/-	100/-	11 1/2 b	8 1/2 a	Northern & Empl. £1	137/-	138/9	138/9	2.88	
272/6	156/3	170 b	130 a	Pearl.....	5/-	222/6	218/9	3.36	
29	15/9	1183 1/2 c	1208 1/2 c	Prudential 'A'.....	£1	26	25 1/2	2.68	
49/3	38/10 1/2			Royal Exchange.....	5/-	47/9	45/10 1/2	3.27	
129/3	100/3	111 1/4 b	71 1/2 a	Royal Exchange.....	£1	112/9	110/9	3.35	
MOTORS & AIRCRAFT									
18/10 1/2	12/10 1/2	7 1/2 a	12 1/2 b	British Motor.....	5/-	14/10 1/2	14/8 1/4	6.81	3 1/4
86/6	66/11 1/2	20 a	20 a	Jaguar Cars 'A'.....	5/-	85/3	84/6	1.18	7 1/2
48/6	35/9	11 c	5 c	Rolls-Royce.....	£1	36/10 1/2	35/9	6.15	2 1/4
10/-	5/6	12 c	4 c	Rootes Motors 'A'.....	4/-	5/7 1/2	6/11 1/2	2.61	
81/9	52/2 1/2	15 b	7 1/2 a	A.C.V.....	£1	70/7 1/2	70/-	4.57	2 1/2
103/-	77/7 1/4	15 b	20 c	Leyland Motors.....	£1	85/7 1/2	85/6	4.68	
18/6	14/-	9 b	3 1/2 a	Bristol Aeroplane.....	10/-	15/10 1/2	15/10 1/2	7.87	2 1/2
33/3	20/6	15 b	5 c	Hawker Siddeley.....	£1	22/2 1/2	20/6	10/34**	1 1/4
41/3	28/10 1/2	14 b	15 1/2 b	Dowty Group.....	10/-	29/6	28/10 1/2	5/37	2 1/4
28/11 1/4	21/6	15 1/2 a	5 a	Dunlop Rubber.....	10/-	28/7 1/2	28/-	5.65	2
72/-	49/9	21 1/2 a	11 1/4 b	Joseph Lucas.....	£1	56/6	55/10 1/2	4.92	2 1/4
33/3	15/9	30 c	12 c	Pressed Steel.....	5/-	17/-	17/6		1 1/4
46/3	29/3	15 c	12 1/2 c	Triplex Holdings.....	10/-	34/-	33/6	3.73	2 1/4
MINES									
168/9	110/-	50 a	40 a	Anglo-American.....	10/-	143/1 1/2	143/1 1/2	6.29	1 1/2
70/-	43/-	6 1/4 b	18 1/2 b	Consolid. Gold Fields.....	£1	67/6	68/-	7.35	2 1/2
108/9	72/6	15 a	20 b	General Mining.....	£1	96/3	95/-	7.37	2
68/6	40/-	120 b	40 a	Union Corporation.....	2/6	61/3	61/-	6.56	3
25/3	15/3	40 a	40 b	Daggafontein.....	5/-	17/3	17/6	22.86	1 1/2
125/3	73/9	70 a	100 b	Free State Geduld.....	5/-	96/3	99/4 1/2	8.55	2
64/6	41/10 1/2	50 a	60 b	President Brand.....	5/-	54/-	55/7 1/2	9.89	1 1/2
157/6	101/3	90 a	120 b	Western Holdings.....	5/-	126/10 1/2	129/4 1/2	8.12	1 1/2
28/6	15/9		8 1/2 a	Winkelhaas.....	10/-	20/3	20/9		8 1/2
73/3	55/-	36 1/2 b	13 1/2 a	Chartered.....	15/-	60/-	59/9	12.71	2 1/4
63/6	51/3	20 a	60 b	Rhod. Anglo-Amer.....	10/-	56/9	56/3	14/29	1 1/2
61/7 1/2	71/10 1/2	41 1/2 a	9 b	Rhod. Selection Tst. 5/-	8/6	31/3	30/3	8.30	1 1/2
30/9	15/3	15 a	17 1/2 b	Roan Antelope.....	5/-	4/9	4/7 1/2	13.15	1 1/2
81/6	46/6	13 1/2 b	33 1/2 a	Tanganyika Cons.....	10/-	16/6	15/9	20.63	
159/4 1/2	110/-	150 b	100 a	Consolidated Zinc.....	£1	49/6	46/6	7.53	1 3/4
£159 1/2	£104	£150-50c	£150-50c	De Beers Delf. Reg. 5/-	143/9	148/9	148/9	8.40	1 3/4
18/9	10/9	27 1/2 b	7 1/2 a	Internat. Nickel.....	n.p.v.	£139	£144	1.85	
45/-	38/-	20 1/2 c	20 1/2 c	London Tin.....	10/-	66/1 1/2	66/1 1/2	9.66	1 1/4
44/3	17/9	52 1/2 c	20 c	Rio Tinto.....	10/-	39/4 1/2	41/3	6.67	1 1/2
				Tronoh.....	5/-	29/-	29/-	9.05	1
OIL									
51/3	32/-	16-94b	12-78a	British Petroleum.....	£1	34/-	32/9	9.69	2 1/4
49/6	31/9	16 1/2 b	12 1/2 a	Burmah Oil.....	£1	34/-	31/9	9.64	1 1/4
52/-	36/-	13 1/2 b	6 1/4 a	Castroil.....	£1	30/-	29/3	5.13	1 1/2
125 1/2	118 1/2	25 1/2 b	11 1/2 a	Royal Dutch.....	20 fl.	£12	£12 1/8	3.89	2 1/2
139/7 1/2	108/9	120-8 c	110 a	Salt Transport.....	£1	115/3	113/3	6.01	3
41/3	24/-			Ultramar.....	10/-	25/6	24/-		6.01
PAPER & NEWSPAPERS									
14/7 1/2	9/10 1/2	10 b	5 a	Daily Mirror.....	5/-	12/7 1/2	12/3	6.12	1 1/4
91/-	8/-	8 b	4 a	W. H. Smith & Son 'A'.....	£1	69/6*	67/6*	3.56	2
23/9	17/9		10 a	Thomson Org'n.....	5/-	21/9	23/-	5.22**	
66/3	43/6	8 1/2 b	5 a	Bowater Paper.....	£1	44/6	43/9	6.29	1 1/2
56/5	41/3	16 c	5 a	Albert E. Reed.....	£1	42/-	41/-	7.80	1 1/2
54/3	37/3	8 1/2 b	4 a	Spicers.....	£1	37/6	37/3	6.71	1 1/4
68/9	46/6	10 b	4 a	Wiggins Teape.....	£1	48/-	46/6	6.02	2
MISCELLANEOUS									
31/-	21/6	10 a	20 b	Assoc. British Picture.....	5/-	25/6	25/6	5.88	2 1/4
34/6	26/9	20 a	40 b	Assoc. Television 'A'.....	5/-	33/4 1/2	32/7 1/2	9.19	1 3/4
52/9	41/4 1/2	14 b	16 a	Beecham Group.....	5/-	47/9*	46/7 1/2	3.22	1 3/4
54/3	41/11 1/2	31 1/2 a	6 1/2 b	British Match.....	5/-	31/10 1/2	31/10 1/2	6.27	2
28/4 1/2	14/-	6 1/2 b	4 a	British Oxygen.....	5/-	15/-	14/4 1/2	3.71	2 1/2
13/-	7/10 1/2	7 b	3 b	British Ryces.....	5/-	9/4 1/2	9/12 1/2	5.48	2 1/2
70/-	44/9	15 b	7 1/2 a	De La Rue.....	10/-	53/6	51/6	4.37	2
50/-	31/9	20 c	7 1/2 a	Gestetner 'A'.....	5/-	41/-	41/-	2.44	3 1/2
73/9	51/3	6 a	9 b	Glaxo.....	10/-	53/9	51/6	6.52	2 1/2
40 b	35/6	40 b	5 a	Harrisons & Cr. Delfd.....	£1	44/6*	44/6*	6.52	2 1/2
28/-	18/9	12 1/2 b	5 a	Hoover 'A'.....	5/-	44/6*	44/6*	6.52	2 1/2
107/3	56/3	7 1/4 b	4 a	Ilford.....	5/-	21/9	22/-	3.98	2
78/9	37/6	12 1/2 c	12 1/2 c	I.C.T.....	£1	96/9	97/9	2.30	2 1/4
37/3	29/6	6 a	10 b	National Canning.....	£1	40/3	37/6	6.67	1 1/4
35/6	24/7 1/2	6 a	10 b	Powell Duffryn.....	10/-	36/3	35/-	4.57	2 1/4
37/6	18/9	7 b	15 b	Radio Rentals.....	5/-	34/6	34/6	2.90	3
41/10 1/2	30/11 1/2	16 1/2 b	7 1/2 a	Rank Organisation.....	5/-	33/3	32/6	3.46	2 1/2
39/-	27/6	20 c	25 c	Schweppes.....	5/-	33/3	32/6	3.75	1 1/4
28/4 1/2	21/33 1/2	11 1/2 b	8 1/2 a	Sears 'A'.....	5/-	34/4 1/2	33/8 1/4	3.71	2 1/4
78/-	54/6	12 c	4 a	Thomas Tilling.....	4/-	23/9	24/-	3.33	2
43/3	32/6	15 1/2 b	9 a	Turner & Newall.....	£1	58/10 1/2	56/-	4.29	2 1/4
11 1/2	8/-	10 b	5 a	Unilever.....	5/-	43/3	43/1 1/2	2.84	3 1/4
22/6	13/9	10 b	5 a	United N. J......	12 fl.	11/-	12/-	2.17	3 1/4
42/11 1/2	29/9	110 1/2 b	14 1/2 a	United Glass.....	10/-	17/3	18/4 1/2	4.08	2 1/2
				United Molasses.....	10/-	30/3	29/6	8.30	1
SHIPPING									
46/3	27/9	13 1/2 b	6 1/2 a	Brit. & Com'wealth.....	10/-	28/6	27/9	7.21	2
20/-	13/3	8 c	6 c	Cunard.....	£1	14/10 1/2	13/10 1/2		1 1/2
24/9	16/6	17 c	7 c	France Fenwick.....	£1	19/3	18/3	7.67	1
50/6	28/9	10 c	10 c	Furness Withy.....	£1	30/9	28/9	6.96	1 1/2
48/6	28/3	8 b	10 b	London & Overseas.....	5/-	34/4 1/2	34/4 1/2	9.12	2
17/9	11/10 1/2	21 1/2 c	21 1/2 c	P & O Delfd.....	10/-	28/9	28/9	7.65	1
25/-	10/6	8 c	5 c	Readson Smith.....	10/-	12/6	11/10 1/2		1
				Royal Mail.....	£1	11/4 1/2	10/10 1/2	9.20	
STEEL									
81/3	48/-	6 a	10 b	Colvilles.....	£1	51/1 1/2	48/-	6.67	4 1/2
43/7 1/2	23/4 1/2	6 1/2 b	3 1/2 a	Dorman Long.....	£1	24/2 1/2	23/4 1/2	8.56	2 1/2
49/10 1/2	30/9	7 1/2 b	3 1/2 a	Lancashire Steel.....	£1	32/6	31/6	6.67	2 1/2
47/8	21/9	8 b	4 a	South Durham.....	£1	25/11 1/2	23/11 1/2	10.38	2
42/1	21/9	7 1/2 b	4 a	Steel Co. Wales.....	£1	31/4 1/2	30/4 1/2	8.23	2 1/2
47/8 1/2	36/4 1/2	15 c	5 a	Stewarts & Lloyds.....	£1	38/4 1/2	36/10 1/2	8.14	3 1/4
68/7 1/2	42/-	9 b	6 a	John Summers.....	£1	44/4 1/2	42/3	7.10	2 1/4
55/7 1/2	38/-	4 a	7 1/2 b	United Steel.....	£1	41/3	38/9	6.35	3
63/6	46/-	8 1/2 b	6 1/2 a	Whitehead.....	£1	48/-	46/-	6.52	3 1/4
TEXTILES									
42/7 1/2	23/10 1/2	7 1/2 b	5 a	English Sewing Cotton.....	£1	25/11 1/2	24/10 1/2	10.05	1 1/2
31/10 1/2	19/7 1/2	5 b	10 b	Fine Spinning.....	£1	19/10 1/2	19/10 1/2	15.09	2
70/4 1/2	45/3	17 1/2 b	7 1/2 a	Lancashire Cotton.....	£1	48/3	47/-	10.64	1 1/2
76/6	26/3	5 1/2 b	3 1/2 a	Cardinals.....	£1	28/9	26/4 1/2	7.27	1 3/4
8/9	5/7 1/2	9 1/2 b	4 a	Illingworth Morris.....	4/-	5/10 1/2	6/1 1/2	8.71	1 1/2
75/3	62/-	13 b	8 a	West Riding Worsted.....	£1	75/-	73/-	5.75	2
37/3	26/3	7 1/2 b	2 c	Woolcombers.....	£1	28/11 1/2	28/4	7.07	2
23/7 1/2	12/11 1/2	7 1/2 b	6 c	Bradford Dyers.....	£1	13/4 1/2	13/4 1/2	8.97	1 1/2
16/2 1/2	9/10 1/2	7 1/2 a	13 1/2 b	Calico Printers.....	5/-	12/4 1/2	11/4	8.11**	3 1/4
55/10 1/2	31/6	3 1/2 a	3 1/2 a	Coats, Patons & B.....	£1	42/-	40/4 1/2	6.19**	2
13/7 1/2	9/10 1/2	3 a	10 c	Jute Industries.....	10/-	10/6	10/3	12.68	3
35/3	22/9	10 c	10 c	Tootal.....	£1	23/6	23/4 1/2	8.56	1 1/4
TRUSTS, LAND & PROPERTY									
70/-	52/6	25 b	25 b	Alliance Trust.....	5/-	64/-	64/6	2.91	1 1/4

butes only 5½ per cent of combined net assets and, because of the nature of its business, the rate it earns on the physical capital employed is high. On the other hand Trust Houses hotel interests and its policy of building new ones and modernising its old ones keep the return on its capital employed fairly low.

Longmans, Green

FOR the third successive year, trading profits of the publishing house of Longmans, Green have risen by about a quarter. The rise in the year to May 31st is from £674,000 to £844,000; this is more than the stock market had expected. The rapid expansion of Longmans' business in recent years has added to its overhead costs and the old London warehouse has had to be replaced by a new and bigger warehouse at Harlow. Turnover was higher in the latter part of the year than the directors had expected and margins were better than at one time had seemed likely. The ordinary dividend has been raised from 25 to 27½ per cent and it would have been higher but for the Chancellor's request; it is covered over 2½ times by earnings and Mr William Longman looks forward, the Chancellor and the economy permitting, to a higher distribution in the current year. Indeed he hopes to bring the interim dividend, due in May, closer to the final payment.

The balance sheet shows the strains of recent expansion. The group has deliberately built up stocks to counter an anticipated rise in production costs, and so the value of stocks has risen from £1,400,000 to £1,800,000 while cash balances have been reduced from £328,000 to £35,000. As yet the directors are not certain whether fresh capital will be required to sustain the expansion in business. But the increase in stocks is a strategic move and they may well be a good investment since the prices of some books will be raised. The directors however hope that economies will keep down the prices of the "more competitive lines." A continued demand for the group's books seems assured, for a high proportion of Longmans' sales is in educational, scientific and technical books. The 5s. "B" shares of 59s. stand close to their peak for the year. They yield only 2.3 per cent, partly because the market expects a bigger dividend and partly because of take-over rumours.

Coventry Gauge

THE machine tool industry has done well this year and demand has remained high; this was reflected in a rise in imports in the early part of this year. The preliminary results of Coventry Gauge and Tool suggest that this company has shared fully in the recovery and they bear out the chairman's statement last January that the rise in profits in 1959-60 did not reflect the full benefit of the high rate of orders.

Trading profits in the year to August 31st rose by as much as 87 per cent, from £477,000 to £896,000, and net profits after tax and depreciation rose by 82 per cent, from £220,000 to £402,000.

The ordinary dividend was raised from 6½ to 7½ per cent tax free in 1959-60 and it has now been raised again to 8½ per cent tax free on the capital as increased by the one for four rights issue in January. The cover has been boosted by the increase in earnings from 2.2 to about 2.8 times. The 10s. ordinary shares at 31s. 7½d. yield 4½ per cent.

Wood Hall Trust

THE results of Wood Hall Trust follow hard upon United Breweries' bid for Hewitt Brothers, in which Wood Hall has a 39 per cent stake. The offer is worth about £2½ million for Wood Hall but it is not known whether Wood Hall intends to keep the United Breweries' shares or loan stock, or both. Speculation first on a possible bid for Hewitt and now on what Wood Hall directors intend to do with the receipts explains the recent rise in the 5s. shares from a low of 17s. late in October to 22s. 6d. But they have fallen back to 20s. 6d., to yield 3.9 per cent on the maintained tax-free dividend of 10 per cent.

Such a return hardly seems justified on Wood Hall's current results alone. These include the familiar story of a loss on hire purchase. It amounts to £135,000. This follows last year's writing off of the whole of Wood Hall's investment in the Peter Long subsidiary amounting to £175,000. The group's hire purchase interests are now concentrated in Traders Acceptances into which Wood Hall put an additional £100,000 of share capital; shareholders will hope that the chairman, Mr Michael Richards, will have some reassuring news of this side of the group's interests. Profits from the group's other activities, which include wines and spirits, building, property, timber and saw milling and an importing and exporting business, rose in the year to June 30th from £752,000 to £803,000. Investment income was little changed at £121,000; but in the previous year there was also a special dividend of £163,000 from Hart Son and Co. which was sold to Samuel Montagu in March last year when the latter acquired a stake in Wood Hall.

In his statement last year Mr Richards told shareholders that it was expected that the "major part if not the whole" of the income lost through the sale of Hart would be replaced by two new acquisitions, Osborne Stevens, the timber merchants, and Moussec. It would appear, however, that this has not yet happened. Indeed as the pre-tax profits of Wood Hall's principal subsidiary, Davis Estates, rose by £125,000 to £522,000, it would seem that the contribution of these new subsidiaries was small. The wine merchants, David Sandeman, for which a difficult year's trading had been forecast, would appear to have suffered a fall in profits.

London Stock Exchange

FIRST DEALINGS:	Nov. 13	Nov. 27	Dec. 11
LAST DEALINGS:	Nov. 24	Dec. 8	Dec. 28
ACCOUNT DAY:	Dec. 5	Dec. 19	Jan. 10

THE rise in equity prices which began in the first half of last week was halted on Thursday; a pessimistic review from the National Institute contributed to the market's uncertainty. After the weekend the fall in prices continued though in some sectors, notably breweries, prices were boosted by take over bids and rumours. On Wednesday the passing of Consett's interim dividend and the poor results from United Steel disappointed an already apprehensive market; many equity prices fell back sharply and *The Economist* indicator lost 9.6 points to 347.3 over the week.

The gilt-edged market has been extremely quiet. Exchequer 5½ per cent lost the gains of the previous week and fell back by ½ to 98½. Long dated and irredeemable stocks were also lower; Treasury 5½ per cent 2008-12 lost ½ to 83½ and 3½ per cent War Loan lost ¾ to 51½. Dominion and Corporation stocks also lost ground.

Bank shares, like gilt-edged, have been quiet this week, and most of the leaders showed small losses; Midland were 1s. 6d. lower at 89s. Hire purchase houses were generally lower; Mercantile Credit lost 3d. to 13s. 10½d. Most insurance shares showed losses over the week despite some selective buying on Monday. General Accident lost 9d. to 83s. 9d. Interest in brewery shares increased after the bids for Hewitt and Tennant Brothers but there was some selling on Wednesday. Chemical shares declined quite sharply, with ICI losing 3s. 7½d. to 56s. Store shares were dull and Marks and Spencer lost 1s. 7½d. to 103s. 1½d. Electrical shares, too, met continued small selling; English Electric lost 2s. 9d. to 23s. and Plessey's recent gains were lost after the full report, with the shares losing 6d. to 44s. 9d. but the convertible debenture gained 2½ points to 109½.

Steel shares were depressed after the first results from the industry were published. Consett lost 3s. 6d. to 17s. 10½d. and United Steel 2s. 6d. to 38s. 9d. and South Durham eased ahead of the results by 2s. to 23s. 1½d. But the market was pleased with the Firth Brown results and the shares gained 3s. 9d. to 42s. 3d. Many leading shares followed the general downward movement of the week and Glaxo were 2s. 3d. lower at 51s. 6d. but investment buying of ICT put them up 1s. to 97s. 9d. Property shares were in demand around the weekend but small falls followed in the middle of the week; City Centre gained 3d. to 58s. 9d. helped by the new link with GUS. Kaffirs held their prices even though gains on the weakness of sterling before the weekend were largely offset by Continental selling on Monday.

EXCHEQUER RETURNS

For the week ended December 2, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £31,586,000 compared with a deficit of £38,261,000 in the previous week and a deficit of £33,608,000 in the corresponding period of last year. There was a net expenditure "below-line" of £31,240,000 leaving a total cumulative deficit to date of £795,676,000 compared with £811,245,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, Dec. 3, 1960	April 1, 1961, Dec. 2, 1961	Week ended Dec. 3, 1960	Week ended Dec. 2, 1961
Ordinary Revenue					
Income Tax	2,728,500	889,816	1,018,979	36,362	37,003
Surplus	210,000	47,900	55,600	1,200	1,800
Death Duties	240,000	152,300	173,100	4,400	5,800
Stamps	94,000	59,600	65,500	1,800	1,800
Profits tax, EPT and EPL	325,500	193,200	241,900	4,300	6,600
Other Inland Rev. Duties	...	50	...	...	...
Total Inland Rev.	3,598,000	1,342,866	1,555,029	48,062	53,003
Customs	1,550,000	1,000,679	1,102,442	28,184	32,935
Excise	960,000	676,730	699,305	23,315	27,665
Total Customs and Excise	2,510,000	1,677,409	1,801,747	51,499	60,600
Motor Duties	155,000	39,867	47,235	680	...
PO (Net Receipts)	40,000	22,500	23,800	4,200	...
Broadcast Lic's	...	40,250	...	1,154	...
Sundry Loans	205,000	78,895	183,375	...	22,376
Miscellaneous	...	...	...	...	...
Total	6,508,000	3,201,787	3,611,186	105,601	135,979
Ordinary Expenditure					
Debt Interest	660,000	429,438	466,028	32,226	30,771
Payments to N. Ireland Exch.	92,000	53,549	56,208	...	...
PO Fund - Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	4,693	4,954	63	56
Supply Services	5,186,902	3,150,797	3,441,163	105,610	136,548
Total	5,961,902	3,638,477	3,975,635	137,899	167,375
Surplus or Deficit					
Above-line	461,820	388,803	33,608	31,586	...
Below-line	349,425	406,873	28,810	31,240	...
Total Surplus or Deficit	811,245	795,676	62,418	62,826	...
Net receipts from:					
Tax Reserve Certificates	185,377	186,960	13,033	5,751	...
Savings Certificates	43,300	18,000	200	...	...
Defence Bonds	39,002	19,046	2,322	...	...
Premium Savings Bonds	73,220	28,700	1,100	1,500	...
Total	340,899	215,806	16,255	7,235	...

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

FLOATING DEBT

	Treasury Bills	Ways and Means Advances	Total Floating Debt
	Tender	Tap	Public Dept. Bank of England
1960 Dec. 3	3,660.0	1,612.1	211.5
1961 Sept. 2	3,260.0	1,855.3	239.4
" 9	3,240.0	1,886.4	221.4
" 16	3,240.0	1,905.2	229.5
" 23	3,220.0	1,928.7	228.3
" 30	3,220.0	2,018.6	283.7
Oct. 7	3,240.0	1,998.1	207.2
" 14	3,260.0	2,003.4	208.7
" 21	3,270.0	1,997.8	183.1
" 28	3,280.0	2,003.2	211.5
Nov. 4	3,280.0	2,063.7	201.1
" 11	3,290.0	1,990.7	216.9
" 18	3,310.0	1,976.2	250.6
" 25	3,330.0	2,016.1	205.3
Dec. 2	3,350.0	2,078.9	228.5

Money and Exchanges

THE MONEY MARKET

THE syndicate of discount houses raised its agreed bid for the 91-day bills on offer at last Friday's Treasury bill tender by 2d. to £98 13s. 3d. The average rate of discount fell by 8.32d. to £5 7s. 1.08d. per cent. The market's quota of 91-day bills rose slightly to 44 per cent from 42 per cent in the previous week. But its allotment of 63-day bills fell to 71 per cent against 90 per cent a week earlier. Total applications fell by £11 million to £461 million.

Events in Lombard Street this week have kept close to the pattern established after the last Bank rate cut on November 2nd. The bill rate has again fallen only slightly, credit has been generally adequate before the weekend but difficult in the early part of the week, and on Tuesday and Wednesday the authorities forced part of the market to borrow small amounts from the Bank at the penal rate—continuing to apply mild restraining pressure on the bill rate.

In New York the three months bill rate rose for the fifth week in succession last week from 2.606 per cent to 2.625 per cent, and the interest differential between London and New York, allowing for forward exchange cover, has now virtually disappeared.

MONEY RATES

LONDON		NEW YORK	
Bank rate (from 6½%, 2/11/61)	%	Official Discount rate	%
Deposits:		Treasury bills:	
7 days' notice:	6	Nov. 27	2.606
1 month:	5½-5½	Dec. 4	2.625
3 months:	5½-5½		
6 months:	5½-5½		
9 months:	5½-5½		
12 months:	5½-5½		
Call money:			
Clearing banks:	4½-5½		
Day-to-day:	4½-5½		

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

Effective Limits		Market Rates: Spot					
	December 6	November 30	December 1	December 2	December 4	December 5	December 6
United States \$	2-78-2-82*	2-81½-5½	2-80½-81	2-80½-81	2-81½-1½	2-81½-1½	2-81½-1½
Canadian \$	2-92½-93	2-92½-93	2-92½-93	2-92½-93	2-92½-93	2-92½-93	2-92½-93
French Fr.	13-622-14-027	13-798-8	13-788-79	13-788-79	13-798-8	13-798-8	13-798-8
Swiss Fr.	11-94-12-54½	12-148-8	12-117-12½	12-117-12½	12-148-8	12-148-8	12-148-8
Belgian Fr.	137-96	139-95	139-95	139-95	139-95	139-95	139-95
Dutch Gld.	9-98½-10-28½	10-09½-8½	10-09½-8½	10-09½-8½	10-09½-8½	10-09½-8½	10-09½-8½
W. Ger. D-Mk.	11-037-11-365	11-25½-24	11-25½-24	11-25½-24	11-25½-24	11-25½-24	11-25½-24
Portug. Esc.	80-17-27	80-17-27	80-17-27	80-17-27	80-17-27	80-17-27	80-17-27
Italian Lire	1725-1775	1745½-46	1745½-46	1745½-46	1745½-46	1745½-46	1745½-46
Swedish Kr.	14-27½-14-70	14-51½-52½	14-51½-52½	14-51½-52½	14-51½-52½	14-51½-52½	14-51½-52½
Danish Kr.	19-06½-19-62	19-35½-36	19-35½-36	19-35½-36	19-35½-36	19-35½-36	19-35½-36
Norwegian Kr.	19-71-20-30½	20-01½-24	20-01½-24	20-01½-24	20-01½-24	20-01½-24	20-01½-24
Official Limits		One Month Forward Rates					
United States \$	13½-11½c. pm	7½-3c. pm	15½-13½c. pm	15½-13½c. pm	15½-13½c. pm	15½-13½c. pm	15½-13½c. pm
Canadian \$	7½-3c. pm	7½-3c. pm	15½-13½c. pm	15½-13½c. pm	15½-13½c. pm	15½-13½c. pm	15½-13½c. pm
French Fr.	21½-2c. pm	21½-2c. pm	21½-2c. pm	21½-2c. pm	21½-2c. pm	21½-2c. pm	21½-2c. pm
Swiss Fr.	33½-3½c. pm	33½-3½c. pm	33½-3½c. pm	33½-3½c. pm	33½-3½c. pm	33½-3½c. pm	33½-3½c. pm
Belgian Fr.	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm
Dutch Gld.	31½-3c. pm	31½-3c. pm	31½-3c. pm	31½-3c. pm	31½-3c. pm	31½-3c. pm	31½-3c. pm
W. German D-Mk.	4-3½c. pm	4-3½c. pm	4-3½c. pm	4-3½c. pm	4-3½c. pm	4-3½c. pm	4-3½c. pm
Three Months Forward Rates		Gold Price at Fixing					
United States \$	115½-113½c. pm	2-17c. pm	115½-113½c. pm	115½-113½c. pm	115½-113½c. pm	115½-113½c. pm	115½-113½c. pm
Canadian \$	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm
Swiss Fr.	10½-10c. pm	10½-10c. pm	10½-10c. pm	10½-10c. pm	10½-10c. pm	10½-10c. pm	10½-10c. pm
W. German D-Mk.	10½-9½c. pm	10½-9½c. pm	10½-9½c. pm	10½-9½c. pm	10½-9½c. pm	10½-9½c. pm	10½-9½c. pm
Price (s. d. per fine oz.)	249/11	250/0½	250/0½	250/0½	250/0½	250/0½	250/0½
	35/16	35/16	35/16	35/16	35/16	35/16	35/16

APPOINTMENTS

CANADIAN BROADCASTING CORPORATION

wishes to appoint

TOP-FLIGHT EXECUTIVE IN SOCIAL SURVEY RESEARCH

to take charge of its Research & Statistics unit in Toronto. He will be responsible to the Director of Research & Statistics, in Ottawa, for the technical and administrative supervision of all C.B.C. research and related activities carried out through the Toronto office, for maintaining close working relations with C.B.C. programming, production, sales and other staff at the English-language Network centre in Toronto, and for contributing as required to C.B.C. research operations carried out elsewhere.

The Corporation's research and statistical services, centred in Ottawa, Toronto and Montreal, cover a wide range of activities in such fields as audience measurement, media content analysis, public opinion and attitude research, broadcast coverage, programme evaluation, statistical analysis, market and consumer studies, corporate and station image research, panel operations. The successful candidate, aside from having the necessary professional qualifications, will have had practical experience of working successfully in at least some of these areas. He will also be expected to have a sufficient understanding of the basic principles and practical problems involved in communications research work generally to be able competently to direct and supervise the work of others. While not absolutely essential, experience of working on broadcasting problems will be regarded as a special asset.

This is a senior post carrying considerable responsibility and the Corporation is prepared to offer an attractive salary to the successful candidate.

Full details to Assistant director of Research & Statistics,

Canadian Broadcasting Corporation,
Post Office Box 806,
Ottawa, Ontario,
CANADA.

AUSTRALIAN NATIONAL UNIVERSITY

INSTITUTE OF ADVANCED STUDIES

RESEARCH FELLOWSHIP IN ECONOMICS

Applications are invited for appointment as Research Fellow in the Department of Economics, Research School of Pacific Studies, to undertake a study of Indigenous Cash Cropping in the Territories of Papua and New Guinea. The appointment will be for a period of up to three years, and will involve considerable field research in New Guinea. This special research fellowship has been made possible by a grant from the Reserve Bank's Rural Credits Development Fund. Provision has also been made for the employment of local Research Assistants to assist in the field work.

The initial salary will be fixed in the range £A1,625-£A2,450 in accordance with the qualifications and experience of the successful applicant.

Superannuation is on the F.S.S.U. pattern. Reasonable travel expenses are paid and assistance with housing is provided.

Further information should be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close on January 31, 1962.

FOR GENEVA

Internationally known American company requires qualified accountant, preferably with some knowledge of French (but this is not essential), aged 25-35, starting salary from 2,000 to £3,000 per annum depending on experience and ability. Would be required to take up position in Geneva as soon as possible.

Please send full particulars, including present salary, to Box 1573.



offer CAREERS in DATA PROCESSING

... in one of the most prominent and vigorous computer companies now embarking on a major phase of expansion.

Men and women under 35 who are keenly interested in the prospect of planning and preparing jobs for operation by both service and customer's computers are invited to apply. They should have experience in one of the following:-

INSURANCE
PRODUCTION CONTROL
COST ACCOUNTANCY

OPERATIONS RESEARCH
WORKS MANAGEMENT
STOCK EXCHANGE

Full training in computer techniques will be given.

The posts will be based in London, elsewhere in the U.K. and abroad.

Starting salary will relate to the high calibre of people required and there are unlimited prospects of advancement depending solely on ability. Brief details of career to date should be sent to:-

The Personnel Officer, LEO COMPUTERS LTD.,
Hartree House, Queensway, London, W.2.

INDUSTRIAL RELATIONS

MASSEY-FERGUSON invite applications for the appointment of

COLLECTIVE AGREEMENTS MANAGER

in their Central Personnel and Industrial Relations Department at Coventry.

Candidates should be University graduates, aged 30 to 35, with at least 5 years' industrial relations experience in large organisations preferably in the Engineering Industry.

The successful applicant will be responsible to the General Industrial Relations Manager. He will be Secretary to the Company's national negotiating Councils and will assist in the development of I.R. policy, the preparation of cases and the drafting of agreements on wages and conditions of employment, covering some 15,000 manual, clerical and technical employees.

Salary will be commensurate with ability and experience. Contributory Pension and Life Assurance Scheme.

Applications, in confidence, stating age, present position and salary, qualifications and experience, should be addressed to:

Director, Personnel and Industrial Relations
MASSEY-FERGUSON (U.K.) LTD.,
Banner Lane, Coventry.

For further appointments and other classified advertisements see page 1074

MINISTRY OF TRANSPORT CHAIRMAN OF TRAFFIC COMMISSIONERS FOR PUBLIC SERVICE VEHICLES (NORTH WESTERN TRAFFIC AREA). Applications for this responsible post, with headquarters in Manchester, are invited from men and women at least 40 on 1.1.62. The Chairman of Traffic Commissioners also acts as Licensing Authority for goods vehicles; his duties include presiding over public sittings and hearings, determining applications for licences to operate road passenger and goods services, and licensing drivers and conductors of public service vehicles. Candidates must have had responsible administrative or other experience qualifying them for these duties. This will usually involve experience in a responsible post in transport or experience in the courts or administrative tribunals. The salary of the post is £1,400. The successful candidate will be asked to take up appointment as soon as possible. Write to Civil Service Commission, 6 Burlington Gardens, London, W.1, for application form, quoting 8419/62. Closing date January 1, 1962.

ASSISTANT FINANCIAL MANAGER required for Nitrogenous Fertiliser Plant, situated in Trinidad, W.I. The Company is a large international group with wide activities mainly in the chemical field. The work will entail the supervision of accounting procedure to Profit and Loss and Balance Sheet level, the maintenance and development of a modern system of budget information to management and investigation into accounting office methods and procedures. The position holder will report to the Company Financial Manager.

Applicants should be qualified Accountants with at least five (5) years' industrial accounting experience, preferably with a chemical company using a modern system of management accounting.

A satisfying career abroad and a starting salary in excess of £2,000 per annum will be offered to a suitable person aged between 27 and 34 years, preferably married.

After one year and ten months' service in Trinidad the applicant will be granted two months' home leave with passages paid for himself and family.

Applications, in the first instance, should be addressed to: The Managing Director, Finance E.C.3.

UNIVERSITY OF EDINBURGH

CHAIR OF ECONOMIC SCIENCE

The Chair of Economic Science is to become vacant on 1st October, 1962, and the Electors, who are the Curators of Patronage of the University and the Master and the Treasurer of the Company of Merchants of the City of Edinburgh, desire to make an appointment in the near future.

The salary of the Chair will be not less than £3,000 per annum.

Applications (twelve copies), including the names of two referees, should be lodged, not later than 15th January, 1962, with the undersigned from whom a statement of further particulars may be obtained.

CHARLES H. STEWART,
Secretary to the Curators of Patronage,
November, 1961.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS AND GRANTS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above. Studentships and grants for Research in Economics, Economic Statistics, Government, Social Administration, Social Anthropology, Sociology or the Economics and Organisation of Business, tenable for one year in the first instance, and renewable for a further period normally of the value of £350 or £400. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University. Applications should be sent not later than February 24, 1962, to the Registrar, The University, Manchester 13, from whom 14 further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

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6th December, 1961.

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NOTICE IS HEREBY GIVEN that dividends have been declared in the amount of Republic of South Africa currency set out below and payable to holders of Preference and Ordinary (and Participating Preference) shares registered in the books of the under-mentioned Companies at the close of business on the 20th December, 1961, and the 29th December, 1961, respectively. Preference dividends are in respect of the half-year ending 31st December, 1961.

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NAME OF COMPANY (All incorporated in the Republic of South Africa)	Dividend number	Amount of dividend in South African currency	Amount of dividend in United Kingdom currency calculated at the rate of £1 United Kingdom Sterling for R2 South African currency	Remarks
(1)	(2)	(3)	(4)	(5)
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Do. Participating Preference	15	5c.	6d.	Being participation of 50 per cent of the interim dividend declared on the Ordinary and "A" Ordinary shares.
Do. Ordinary and "A" Ordinary	32	10c.	1-2d.	Interim.
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6% Cumulative Preference	51	13c.	1-8d.	
Do. Ordinary	43	6c.	7-5d.	Interim.
Anglo-Transvaal Industries Limited				
5% Cumulative Preference	35	5c.	6-6d.	
Associated Manganese Mines of South Africa Limited, The				
7% Cumulative Preference	50	13c.	2-1d.	
Do. Ordinary	45	27c.	2-9d.	Final making 45 cents (4/6) for the year.
Do. Deferred	2	24.917c.	2-5-9d.	For the year ending 31st December, 1961.
Consolidated Murchison (Transvaal) Goldfields & Development Company, Limited				
Ordinary	35	40c.	4-1	Final making 70 cents (7/-) for the year.
Hartebeestfontein Gold Mining Company Limited				
Ordinary	12	25c.	2-6d.	Interim.
Middle Witwatersrand (Western Areas) Limited				
Ordinary	17	4c.	4-8d.	For the year ending 31st December, 1961.
Nail and Chain Limited				
5% Cumulative Preference	28	5c.	6-6d.	
National Bolts and Rivets Limited				
6% Cumulative Preference	33	6c.	7-2d.	
South Atlantic Corporation Limited				
6% Redeemable Cumulative Preference	16	6c.	7-8d.	
Wright Anderson (South Africa) Limited				
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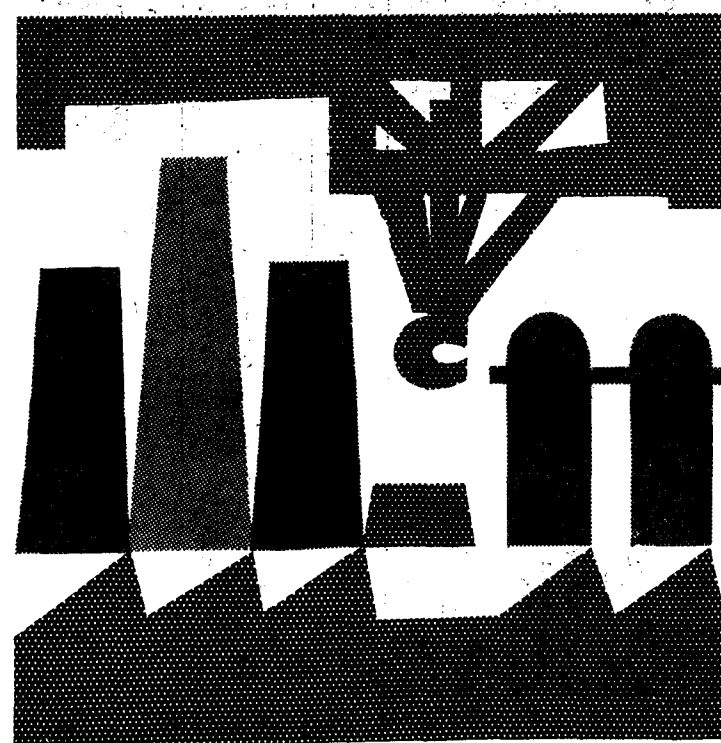
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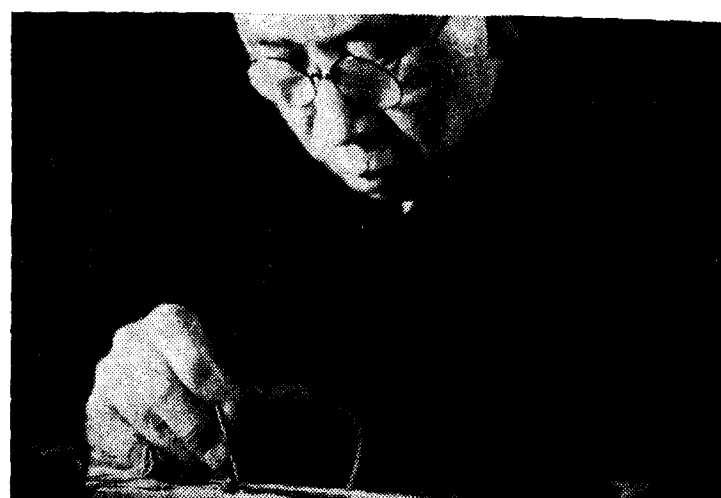


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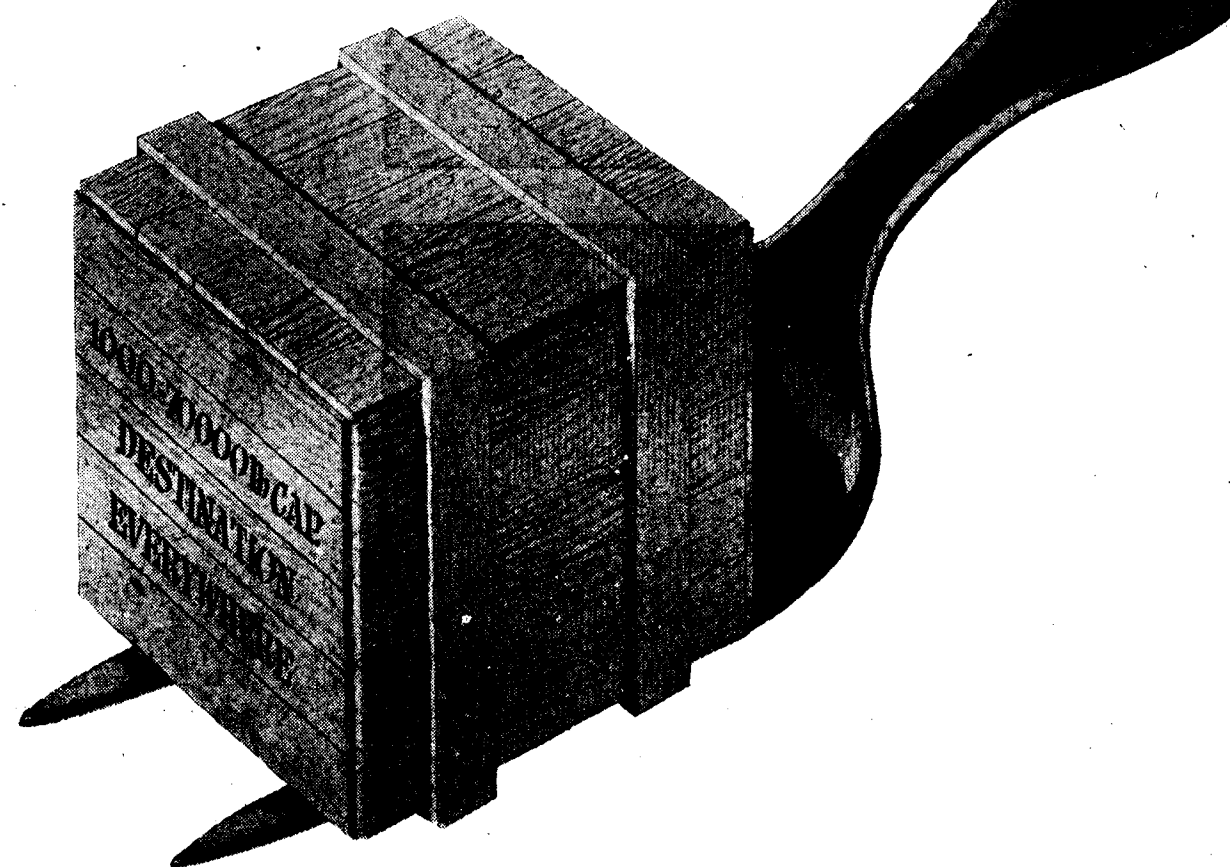
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INTERNATIONAL

HEART OF DARKNESS

Mr Macmillan's call for a cease-fire is one that the United Nations can hardly accept; things have gone too far in Katanga for that (p. 1101).

U Thant says the UN will not cease firing until its freedom of movement is permanently assured, law and order are restored, and it is able to carry out its mandate (p. 1102).

In Leopoldville, it seems as if Mr Tshombe will be forced to negotiate. But will Mr Gizenga? (pp. 1129 and 1130).

Differences of Opinion:

Belgium may seem like one big "Katanga lobby"; even so it is doing much to help the whole Congo (p. 1133).

Ireland is usually ready to believe the worst of Britain (p. 1134).

The United States is more charitable, but its government's views on the Congo, communist China, and Nato's military needs differ from the British Government's (p. 1103).

AN OUTCAST OF THE ISLANDS

1. Mr Kadar is probably the best prime minister the Hungarians can expect to get (p. 1106).

2. Russian relations with Albania could hardly be worse (p. 1109).

3. India is no longer speaking up for China's admission to the United Nations (p. 1109).

4. For Goa, the Indians would do better to wait (p. 1109).

UNDER WESTERN EYES

In Paris, the foreign ministers of the three principal western powers have concentrated on *Berlin über Alles* (p. 1127).

Dr Nkrumah has become an embarrassment to Africa (p. 1113).

Africans in Southern Rhodesia have become an embarrassment to Sir Edgar Whitehead (p. 1110).

The Australian election results may prove embarrassing to Mr Menzies (p. 1110).

Three neutrals—Austria, Sweden and Switzerland—have, to some people's embarrassment, applied for association with the common market (p. 1114).

THE RESCUE

President Kennedy's visit to Latin America starts, hopefully, the Alliance for Progress on its ten-year course (p. 1136).

The reports of the Civil Rights Commission show how racial discrimination in the United States can be dealt with outside Congress (p. 1141).

It looks more and more as if the United States will soon be testing atomic weapons in the atmosphere (p. 1142).

The President is trying to prevent his new tariff policy being drowned in imported oil (p. 1146).

The Administration is trying to improve its social welfare system (p. 1146). The Federal Communications Commission is doing the same thing for television programmes (p. 1145).

The latest economic statistics provide Christmas cheer for Americans but do not necessarily promise a happy New Year (p. 1142).

HOME

RETURNS WITH INTEREST

Hook New Town has gone to the limbo of abandoned projects: it is to be mourned, with some reservations (p. 1117).

When the Government began its manœuvres against immigrants, popular opinion seemed to approve: but many people have been angered by the results (p. 1108).

Not even sentiment has been strong enough to override the good reasons for the closure of the Forth and Clyde canal (p. 1118).

PAYMENTS IN KIND

More money could be earned from gold mining in South Africa: but investors should carefully weigh the political risks (p. 1151).

A new European lenders' club has increased the International Monetary Fund's power to curb currency speculators: but the lenders hold the strings (p. 1153).

There have been important mergers in the British fishing industry (p. 1164) and in the Rhodesian copper industry (p. 1159).

The Government seems indifferent to hire purchase reform (p. 1165).

Cut-price retailing is spreading to the whole range of branded goods (p. 1156).

Detailed contents on page 1101

REWARDS OF LEARNING

Developments in television open the way to a major revolution in adult education in Britain—to its inestimable advantage (p. 1104).

Direct-grant grammar schools, "brain factories" for the universities, are mulling over their problems (p. 1119).

Basic research is increasing in scope and distribution in British industry (p. 1160).

WAGES OF FEAR

The Conservative party faced a serious revolt over its Katanga policy: the Prime Minister dealt with it cunningly—but at the price of wrecking British prestige abroad (p. 1108).

Less serious was the revolt over the Immigration Bill, which should get through substantially unchanged (p. 1108).

Anti-nuclear demonstrations are likely to become less sedentary after last week-end's fiasco (p. 1113).

Proposals for a British Ombudsman may founder on the Lord Chancellor's prejudices (p. 1114).



DEPARTURE: Smokers and skindivers agree: Pleasure starts with the products of AMF!

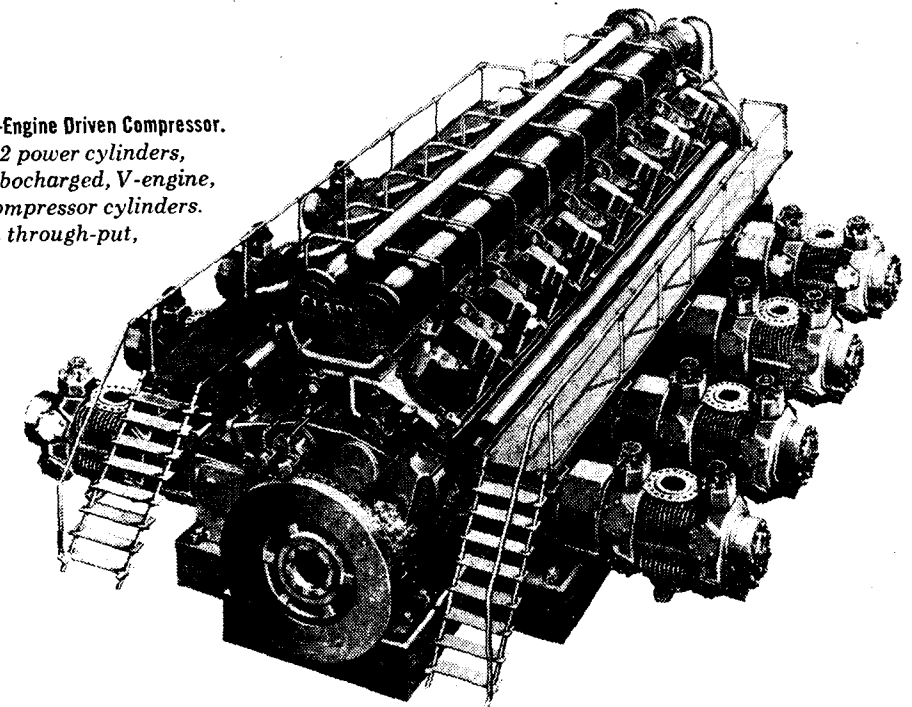
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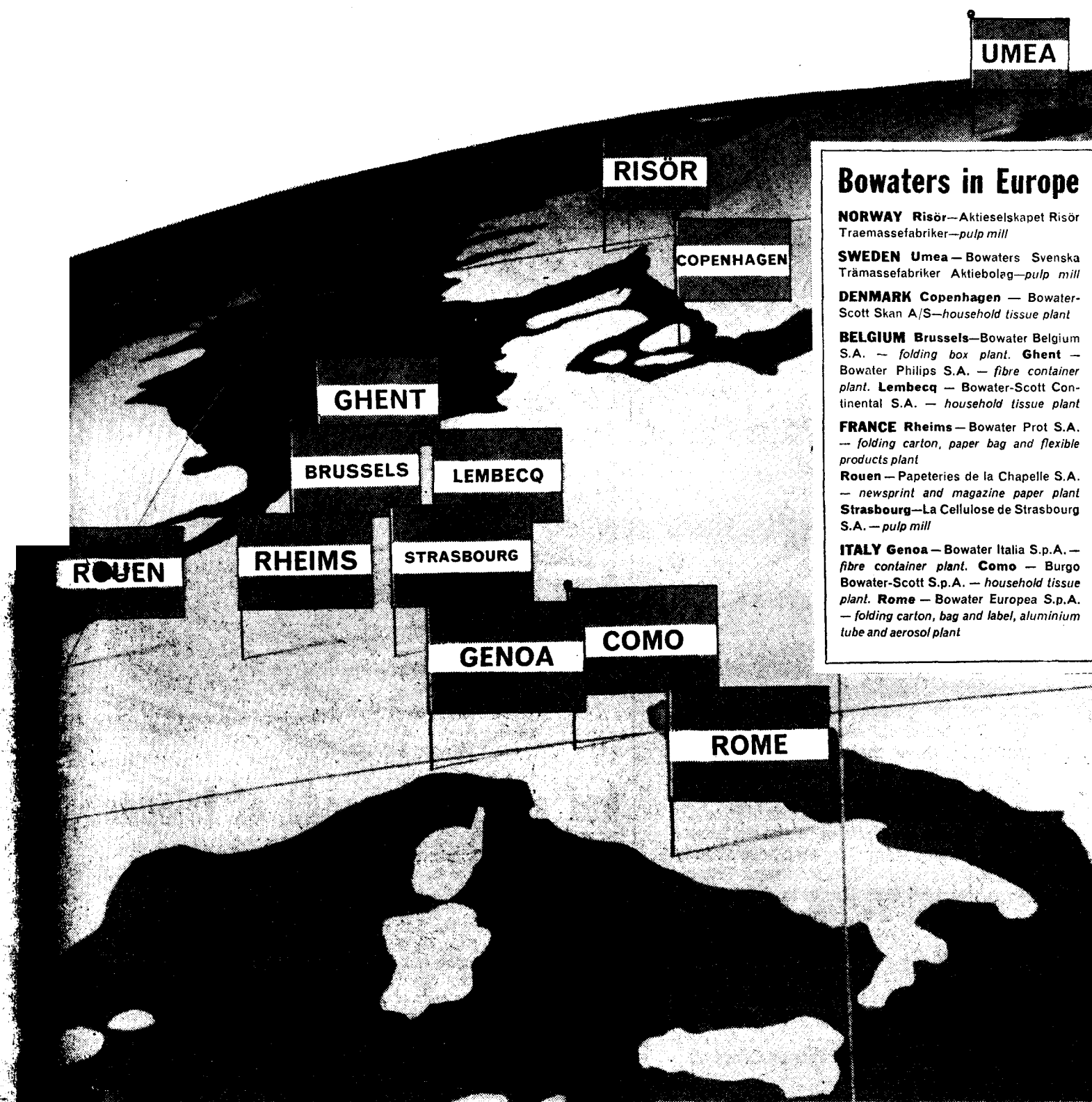
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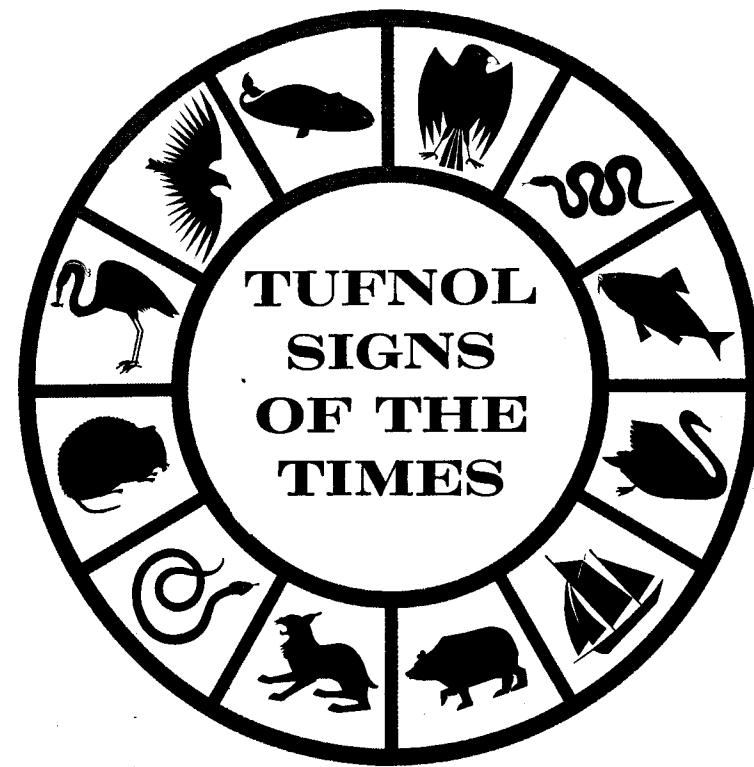
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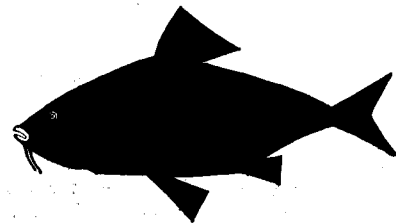
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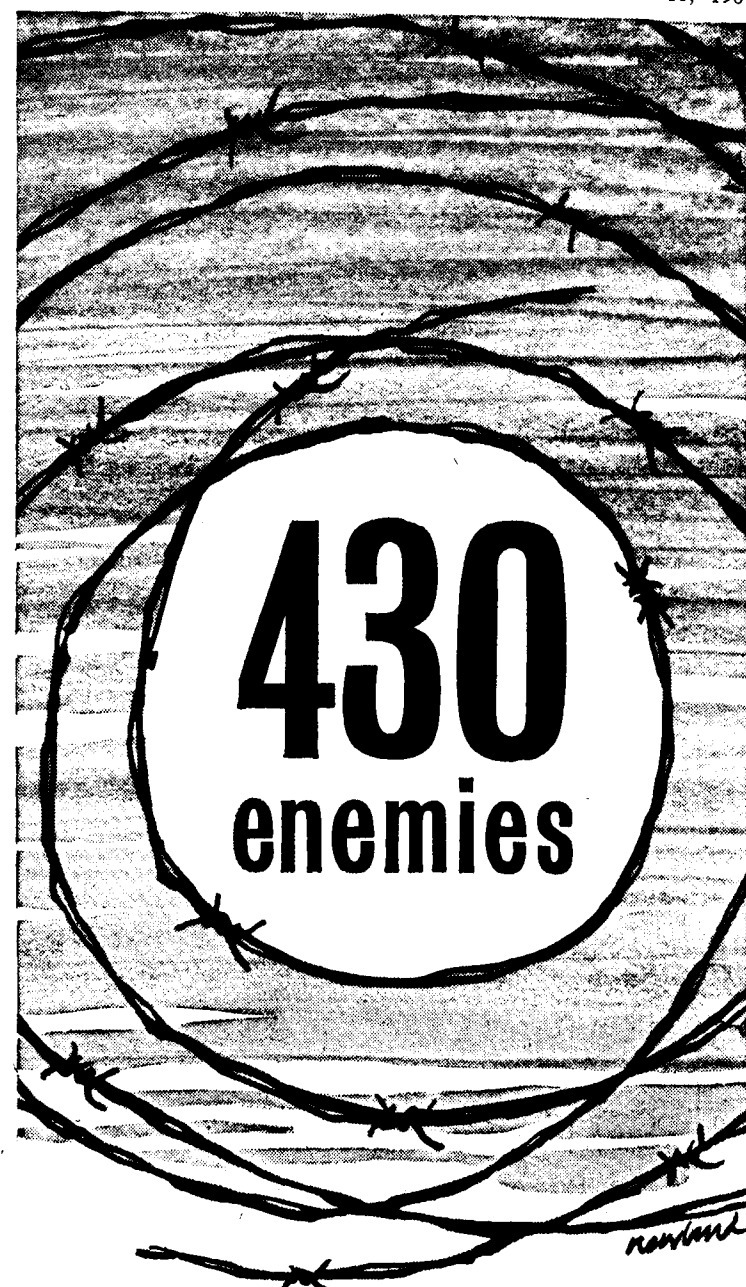
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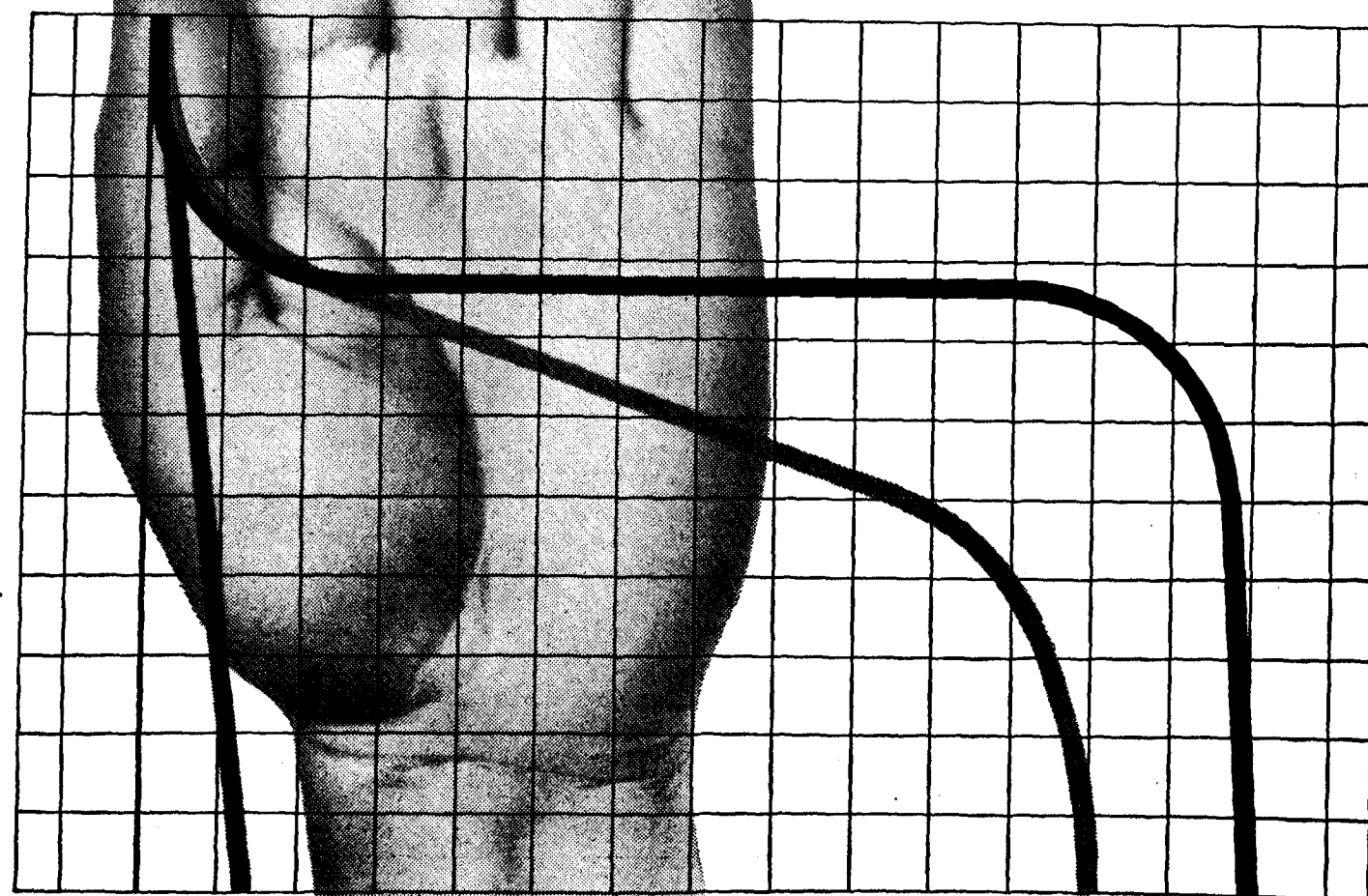
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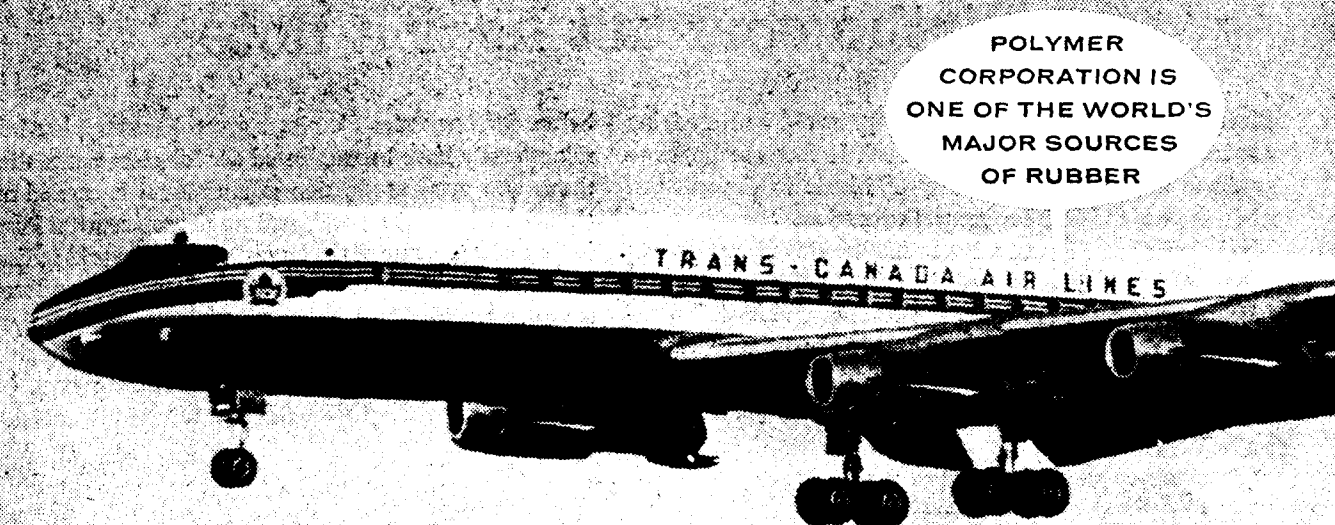


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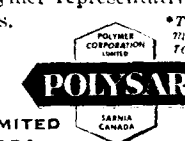
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The Economist

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A Message to U Thant

"WE felt it right," Mr Macmillan told the Commons on Tuesday, "to raise the whole question again"—meaning, in the immediate sense, the question whether the United Nations force in the Congo really needed a supply of bombs from Britain, and what it needed them for. But the word soon went round that the Government was revising more than its attitude to this particular request; a Government motion tabled the same evening revealed that a formal request was going to the acting Secretary General of the United Nations to secure an immediate cease-fire in Katanga,

in order to bring to an end the destruction of life and property resulting from the present fighting, and thus create conditions in which in a united Congo a peaceful and just basis for co-operation may be negotiated.

It is this motion that was being debated on Thursday as this issue of *The Economist* went to press. The motion is, as it was intended to be, a form of words that will enable the troubled Tories to unite. But what is the cost, and where does it leave Britain's relationship with the United Nations?

For a beginning it is necessary to concede that the body of opinion in this country that disliked the September fighting in Katanga, and felt a weary revulsion when, on December 5th, the fighting started again, is much wider than the Katanga lobby or than the champions of a white redoubt in Africa. Few people have been altogether clear what the fighting was for; still fewer, that anything good can come of it. The disclosure on December 7th that the United Nations had asked the British Government for a supply of 1,000-pound bombs, to arm the Canberras lent by India for service with the UN force, brought a good deal of genuine uneasiness to a head.

Such bombs are instruments of mass destruction. People who had put their trust in the United Nations as an instrument of peace began to feel themselves, in a negative way, on the same side as people who would never put any trust in the United Nations at all. On December 8th the Government agreed to supply the bombs, but on the stringent condition that they should be used only against airstrips and aircraft on the ground, not against human or miscellaneous targets. By December 11th it changed its mind and decided to hold up the deal, having evidently become aware that the coalition of dissent was growing bigger than it had bargained for. The "formal" request for a cease-fire followed.

Unfortunately it is hard not to feel as much doubt about the value of requesting a cease-fire at this moment as one had felt earlier about the idea of the United Nations resorting to the use of 1,000-pound bombs. The first thing one notices about the Government motion, quoted above, is the apparent innuendo that it lies in the hands of the United Nations to open the way to "a peaceful and just basis for co-operation" simply by ceasing to fight. If this is really the suggestion, the United Nations is most unlikely to accept it. Has it been forgotten that we have had a cease-fire in Katanga before, and that the Katanga forces did not at all meticulously observe it? The United Nations force went into action on December 5th, not because of the many previous infringements of the cease-fire, and certainly not frivolously, but because the Katanga forces were putting up road-blocks and attempting to control its movements: in particular, road-blocks had been put up between the UN headquarters, the airport, and the encampments of the UN troops, so that the UN force was threatened with paralysis through the cutting of its communications between

its own component units, and with the outside world.

Whether one liked or disliked the abortive earlier action of September 13th, and whichever version of that affair one found it easier to believe then, seem to have nothing to do with the facts of the present case. The international force has been put into the Congo and has been forced to fight, in effect, for the power to do what it was sent to do. The United Nations can hardly now accept that its force should give way and submit to Katangan control. This, it must be suspected, the British Government knows. It looks as though the purpose of Tuesday's message to U Thant was not, in fact, to bring about a change in policy at the United Nations, but to secure a domestic breather at Westminster. It is a regrettable stratagem for a British Government to resort to.

This is not to say that the British Government has been wrong to insist, as it has done all along, that the solution for the Congo's troubles should be sought, not by military



action, but by political means. The point will become relevant again as soon as the UN force in Katanga has won enough of its present tactical objectives to be able to call the fighting off. By that time, one supposes, the Tshombe regime will be in poor shape, if it has not gone under altogether; and the UN will be under pressure to hand over to a governor from Leopoldville, and wash its hands of Katanga for good. What would happen after that can only be guessed. It would be small comfort that Mr Tshombe, and the interests that support him, could then be said to have brought it all on themselves.

One source of hesitation about ambitious actions by the United Nations is that nobody can say what the UN will decide to do, or will be permitted to do, in the situation after next. Some of the honest doubt that is felt about the Congo operation arises from this fact. The Katanga regime was not

good, but it worked in a way; if the UN is to pull it down, as it seems now to be forced to do, then the UN will have a responsibility for seeing that an orderly and equitable form of government, observing lawful principles of action, is put in the place of what will have been destroyed. Katanga will have to return to the Congo, but not as a booty of war.

To talk in this way now, when the fighting is not in sight of its end, is hypothetical and may seem premature. Success for the United Nations depends, however, on acceptance of what it does and what it is trying to do, both by the community of national governments to which it is responsible, and by the people on the spot. A coherent intention is an operational aid not to be dispensed with; and it is partly the lack of such a visible, intelligible intention that has caused the UN to run into so many road-blocks. A certain inscrutability is in the nature of international bodies. But if this could be attended to, even the Europeans of Katanga might be brought to feel that an interval of United Nations guardianship would now be the best thing for them.

What the UN Wants

Some things said—and unsaid—on Katanga

MR HEATH, Lord Privy Seal, told the House of Commons on Monday that there was "genuine cause for the gravest alarm" about reported statements made over the weekend about United Nations aims in Katanga; and that, although the UN Secretary-General had issued an "important statement" on Sunday repudiating these press reports, "these matters must be clarified before the bombs are released, and we must be assured that the undertakings given by the Secretary-General can be carried out."

Mr Heath cited only two reported statements:

(a) "One from the commanding general of the UN (General McKeown) saying that peace overtures from Mr Tshombe would be rejected."

General McKeown's press conference on Sunday was reported at length in several newspapers. The alleged remark cited by Mr Heath did not appear in the published reports attributed to Reuter, Agence France Presse or the Associated Press. A version attributed to United Press International and used by *Figaro* among others reported the general as saying that the UN had learnt indirectly of peace overtures by Mr Tshombe, and that "we shall ignore them, because Tshombe cannot now halt the fighting," which was now being led by white ultras. At the time of writing, other agency correspondents in Leopoldville were still unsuccessfully trying to trace the origin of this UPI report.

On Tuesday the UN in Leopoldville formally denied that General McKeown had made any "statement concerning any unwillingness on the part of the UN to negotiate with Mr Tshombe." News agency offices in London were given this denial on Tuesday at midday, but it did not appear in any of Wednesday's London newspapers.

(b) Mr Heath quoted Dr Sture Linner, the Officer in Charge of the UN Operation in the Congo, as having told the Stockholm *Expressen* that the UN aim was "to force a

political solution on the Katangans by smashing the military strength of the present political leadership."

Expressen published its interview with Dr Linner on Friday, December 8th. A verbatim translation of the interview as published in *Expressen*, given in *The Times* of Tuesday, had Dr Linner saying that "By destroying the political leaders' military strength we are not trying to force a political solution on the people of Katanga."

Dr Linner himself repudiated the *Expressen* version of his words in a statement broadcast by the Swedish radio on Saturday and reproduced in Sunday's Swedish newspapers. On Tuesday *Expressen* printed an apology and a detailed account of how his words had been thoroughly garbled in transmission over a teleprinter from Leopoldville. The paper said that in reality, when asked what was the aim of the UN military action, Dr Linner had said: "It is not to force a political change." On Wednesday Dr Linner made public not only a further categorical denial and a statement that the words attributed to him had been "utterly absurd" and in obvious contradiction to UN policy, but also the text of a full apology given him by *Expressen's* correspondent, who said he was quite unable to understand how the Leopoldville teleprinter could have garbled his report so "unrecognisably."

THE UN Secretary-General's statement issued last Sunday had "categorically" described as "false" the original *Expressen* garbled version of UN aims:

"The military action was forced on the UN by a series of deliberate attacks on UN officials, soldiers and military officers in Katanga, and particularly Elisabethville, involving wanton and brutal assault, cold-blooded murder, and seizure of such personnel; the setting up of road blocks impeding the freedom of movement in Elisabethville; and attacks in strength on positions held by the UN elsewhere in Katanga, all of which were clearly part of a plan. The UN military action was undertaken with the greatest reluctance, and only when it became obvious that there was no use in continued negotiations, which were marked by repeated instances of bad faith and failure to implement agreed measures on the part of the political leaders of Katanga, who indulged in a violent and inflammatory campaign against the UN over the press and radio even while they were engaged in negotiation with our representatives.

"The purpose of the present military operation is to regain and to assure our freedom of movement, to restore law and order, and to ensure that UN forces and officials in Katanga are not subjected to such attacks. . . .

"These military operations will be pursued up to such time, and only up to such time, that these objectives are achieved, either by military or by other means, and we have satisfactory guarantees in this regard for the future. . . . We shall also need to be satisfied that we shall be able to go ahead with the implementation of the Security Council and Assembly resolutions, and especially the latest Council resolution of November 24th, without let or hindrance from any source. . . .

"I shall welcome any initiative which would enable us to achieve our aims as peacefully and as speedily as possible. In this connection I am fully aware of the need for reconciliation and pacification. . . ."

The Secretary-General's last point was interpreted by Mr Heath, in his Commons speech on Monday, as meaning that "the Secretary-General is inviting mediation from outside. Therefore, we ourselves are pursuing the matter to see which is the best form of mediation to bring the fighting to an end."

THE Security Council resolution of November 24th, after recalling and reaffirming UN purposes as set out in previous resolutions on the Congo—specifically, to maintain the Congo's territorial integrity and independence, to help its government restore law and order, to prevent civil war, and to secure the immediate removal of mercenaries and all foreign military and advisory personnel not under the UN Command—went on to stress "the imperative necessity of speedy and effective action to implement fully the policies and purposes of the UN in the Congo to end the unfortunate plight of the Congolese people, necessary both in the interests of world peace and international co-operation, and stability and progress of Africa as a whole."

The resolution "authorises the Secretary-General to take vigorous action, including the use of requisite measure of force, if necessary, for the immediate apprehension, detention pending legal action and/or deportation of all foreign military and para-military personnel and political advisers not under the UN Command, and mercenaries as laid down in the Council resolution of February 21st."

It asks the Secretary-General "to take all necessary measures to prevent the entry or return of such elements under whatever guise and also of arms, equipment or other material in support of . . . the secessionist activities illegally carried out by the provincial administration of Katanga, with the aid of external resources and manned by foreign mercenaries."

The resolution also "calls upon all member states to refrain from promoting, condoning, or giving support by acts of omission or commission, directly or indirectly, to activities against the United Nations often resulting in armed hostilities against the UN forces and personnel."

Transatlantic Swell

The US is not amused with us

"WE were not very happy," said Mr Dean Rusk on December 8th, in a tone Queen Victoria would have appreciated. He was referring to the sale by Britain of six Viscount airliners to communist China; but he might equally well have been talking about several other things Britain is doing just now, or looks like doing, that are calculated to make eyebrows rise in the United States. Bad luck has brought several differences between British and American policy to a head at the same time.

Most conspicuous is the difference over the degree of support to be given to the United Nations in Katanga. But there is at least as much irritation in Washington about Britain's reluctance to contribute what the Americans consider its proper share to the reinforcement of the allied armies in

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Germany. If the British add to these causes of displeasure by voting for the seating of communist China at the United Nations at the end of the current debate in New York—and Lord Home's past statements suggest that they probably will—the “special relationship” is liable to be specially acrimonious for the next few months.

So far the differences have been kept decently muted. On December 6th, the day after fighting broke out in Katanga, the State Department and the British embassy in Washington both disclaimed any disagreement about the fundamentals of Congo policy. But, for all that, disagreement on a fairly profound level became apparent the same day. The State Department made it clear that it thought the United Nations force had the right to take action not only to defend itself, but also to carry on the job for which it went into Katanga; Mr Adlai Stevenson expressed his government's approval of U Thant's plans to “bring Katanga under control.” These plans, Mr Rusk said on December 8th, did not involve an attempt “to, as it were, conquer Katanga.” There remains, however, a very wide gap between the Americans' apparently whole-hearted support of military action for objectives short of the conquest of Katanga, and the call by the British Government at the mid-week for an immediate cease-fire. This divergence was emphasised in the lucid statement by Mr Ball, the acting Secretary of State, on Wednesday, who insisted that the UN must achieve some minimum objectives before a cease-fire.

THE gap between British and American attitudes towards the military requirements of Nato seems to have been left equally wide by last weekend's discussions between the two countries' defence ministers, Mr Watkinson and Mr McNamara. The British Government is still apparently

arguing that General Norstad has enough troops at his disposal (including British troops) for his purposes; and that to add many more might weaken the credibility of the allies' threat to use strategic nuclear weapons against a major Russian attack. To this argument the British have recently been adding the special plea that, if Britain is to keep even as many troops in Germany as it has now, it will have to be given help for its balance of payments; which means that the west Germans will either have to place more arms orders in Britain, or at least pay the civilians employed by the British Army of the Rhine. It is doubtful whether the United States has been impressed. Even if Britain gets some help for its balance of payments, the American demand for more troops and less quibbling is likely to persist.

If, on top of all this, the present debate in New York leads to a direct vote for or against the admission of communist China to the United Nations (and not, as in previous years, simply to a vote putting the matter off), and if Britain votes for admission, the consequences may well be spectacular. There may or may not be a pattern behind the current divergences; but it is easy to guess what pattern many Americans will claim to detect.

They will claim that Britain is paying too much attention to preserving the remnants of its imperial position—by protecting Mr Tshombe at the request of Sir Roy Welensky and Sir Roy's friends in London, and by keeping in colonial outposts troops that ought to be in Germany—at the cost of paying too little attention to the communist danger. No doubt this would be a gross over-simplification of the truth; but it might stick. So long as the main argument between the western allies has been whether or not to negotiate about Berlin, General de Gaulle has been the odd man out. Britain may have to look again at some of its present policies if it is not to find itself in that cold and exposed position.

Televarsities?



Could the Pilkington Commission on television services give impetus to a major experiment in British adult education?

THE Pilkington Commission has been long in parturition, and what is likely to emerge when its labour is over next spring will set the pattern of British television and broadcasting—and therefore of the most potent current influence on British life—for the best part of a generation. It is now time to discuss one potentially very exciting aspect of its deliberations in some detail. Can scope be carved out in British television for a major experiment in adult education, which might just conceivably do more than anything else to transform Britain's position in the world?

The broad framework of the Pilkington Commission's recommendations is almost certain to be dictated by rather complicated technical considerations. At present Britain's television is broadcast on a system that breaks the picture up into 405 horizontal components. This is the result—and the disadvantage—of our having begun much earlier in this field

than other countries, and having therefore been unable to take advantage of later developments that allowed the system of 525 lines in America and 625 lines in Europe. The two television networks, the British Broadcasting Corporation and the Independent Television Authority, use the whole of one, and half of another, of the four wavelength bands allotted to this country. These are Band I, used by the BBC, and Band III, used partly by the ITA: both of them are in the very high frequency (VHF) range. The other two bands, IV and V, are in the ultra high frequency range, inferior in some respects to VHF, and so far uncommitted.

British viewers are almost certain to want to turn to the 625-line standard eventually. It permits much bigger screens to be used. But during the period of change, although all new sets coming off the production lines will be made on the new 625-line standard, it seems very likely that owners of the exist-

ing 10½ million 405-line sets will demand that programmes be broadcast in both standards simultaneously (so far an ITA scheme for avoiding this duplication has met with scepticism). This duplication would also have to apply to any new network recommended by the Pilkington commission, whether awarded to the BBC or the ITA. All the signs are that the commission will recommend only one such new general network along the lines of the existing two. It could be accommodated in Band III on the 405-line standard; the duplicate 625-line programmes of all three networks would then go into the UHF Bands IV and V, where there is, on present indications, room for four national networks. Colour television requires no separate bandspace. There would therefore then still be space enough for one extra network in UHF. (Or, alternatively, if the new network went into UHF, there would be space in Band III immediately.)

SOME people have suggested that much of this “spare” space should be allotted to the BBC to extend its coverage of the country—that is to say, to send out its existing pictures to the tiny (about 0.6 per cent) proportion of the population who are at present deprived of any television at all, in the highlands and islands of Scotland, and so forth. But this would be terribly uneconomic; to reach the extra odd hundred thousand viewers would require the erection of 50 new transmitting stations. If there is to be an experiment with pay-as-you-view television, it might be done either on closed circuit (that is, wire-carried) systems or else might reasonably be incorporated into some programmes in the new general third network. Further extensions can come later, about 1970, when 405-line sets wear out; when the need for duplication ends; and when the disappearance of three 405-line programmes will leave room for two new 625-line networks.

In the meantime, what use is to be made of the small extra bandspace that is likely to become almost immediately available? The ITA has suggested in a recent booklet* that it should be given over to a purely educational “Fourth Network.” This is an idea that now needs some widespread discussion; in the course of it, some suggested amendments to the ITA's scheme should be offered. Some work has been published on the application of this possibility to Britain, notably by John Wellens† earlier this year (and his conclusions were remarkably close to those of the ITA). In *The Economist's* view, the main value of the idea would not lie in the schools, where existing ITA and BBC broadcasts in the daytime can better meet the case—although there is certainly no reason why a new educational network should not devote some of its daytime services to extending televised school lessons, especially in mathematics and science. But the real and exciting objective should be to try to establish on this network some sort of British Television University (or universities), which could revolutionise spare-time adult education in this country.

A great deal of hard and visionary thought now needs to be given to this idea. The aim would be to send out lectures and demonstrations and demonstration films, both early in the morning (for the real eggheads) and in the evening (when ordinary working people could watch them at home),

* Educational Television: Some Suggestions for a Fourth Service.

† Educational Television: A Survey and a Plan. (Wellens, 1961.)

which could lead up to the summit to extra-mural university degrees and to diplomas (perhaps particularly on technical subjects) lower down. There would never be a really mass audience for any one of these lectures, because only an absurd swot would try to take all the courses at the same time. But each course, involving say four or five lectures or demonstrations a week, coming into people's own firesides, would be very likely to attract several times the number of people who can at present take similar courses in all the existing colleges and other places of advanced education in this country; in addition, many students at these existing colleges would no doubt watch the available lectures on their own subjects as well. If it caught on, this could be a device for trebling or quadrupling the number of reasonably well-educated people in Britain within a relatively short span of years.

Of course, there would be immense difficulties. Just listening to lectures and watching demonstrations is nothing like a substitute for real education, unless there is some provision for tutorials and criticisms of the individual students' work. No doubt correspondence colleges (commercial and otherwise) would fill some gaps here, but it is true that the resulting education for students of the air would still fall very far short of the education that real colleges and universities can provide. Nevertheless, it would bring some sort of further education to people who would otherwise get no sort of further education, and it is precisely this sort of second-best education that Britain has got to learn not to despise. The important thing is that every curious person seeking information across the band of the “two cultures” should be given it; and, specifically, students of the air who did particularly well at extra-mural exams could and should obviously be granted generous scholarships at full-time centres of education.

The daytime hours on this network, when the voluntary “televarsity” students would be at their ordinary everyday work, could be devoted largely to purely technical education for industry. Less than half of those who should receive some further education in their trades and professions at present manage to do so; experience in America suggests that many of the remainder could profit by direct televised instruction with very little supervision. Many employers might well find that releasing their young workers to study these programmes in the firm's own television rooms suited them better than day-release to often distant training colleges. That, indeed, would be one danger of the system. Great care would have to be taken to see that the existence of this television service was not used as an excuse by the Government to slow down conventional educational advances.

Financing such an enterprise (let us call it ETV) should not present great difficulties. An exchequer grant would be a prerequisite, but much of the system's income ought to come from endowments, grants from industry and commerce, outright gifts, and contributions from charitable foundations. The cost would be tiny, in relation to the potential audiences: even allowing for the great differences between the American and British conditions, on present showing the running costs of an individual ETV station need not necessarily be much more than about £50,000 a year, and the capital cost should be under £1 million for one central and four regional stations. From the existing broadcasting bodies might come technical facilities and aid, including the services of “loaned” technicians. Even the prospect of some advertising, of the type which offers information (such as careers advertisements),

should certainly not be howled down without thought.

If an ETV network ever does get set up, its worst enemy might well be the conservatism of educationists themselves. Many of them are likely to be outraged by the prospect of standardised mechanical or electronic teaching. In this respect one can only hope that the newly-founded Institute for Educational Television becomes a really liberal and visionary body. So far its statement of aims appears somewhat narrow, although it rightly includes references to much-needed research into educational techniques over the air and some ambition to be a central collecting-point for information and material. But the institute should also seek to expand its functions well beyond these bounds, to include the preparation of the auxiliaries (guide books, bibliographies, etc.) that would be as important to any ETV scheme as the televised lectures themselves.

Probably the real fight would come over the organisation and control of any such ETV network: it is difficult to think of any remotely interested organisation which would not fight hard for its right to representation on the governing body. Among those who would certainly have good claims to be

represented are the universities, the local education authorities, the Institute of Adult Education, the Workers' Education Association and several others. But there should also be some other hand to restrain their combined enthusiasms (or to stimulate their lack of them). Perhaps the most sensible would be the establishment by charter of an Educational Television Authority which would control the means of broadcasting and the permission to broadcast, and which would perform its ultimate function through a single central service and several regional stations; each of the latter could then contribute material to the networked programmes or, as independent stations do now, break off at times to conduct its own purely local service.

It will be said that all this is visionary and could be fraught with dangers. So, indeed, it is. But Britain has a unique opportunity and need to outpace the world in this. Compared with America, we have many more people who have the capacity to benefit from advanced education but do not at present get it, because so many fewer people have the chance to go to college here. An ambitious ETV scheme could provide one very big way of bridging part of the gap.

Hungary and Its Past

Our visiting correspondent looks at Mr Kadar's efforts to get on better terms with the Hungarian people without compromising his communist aims

IN Hungary the communists talk about the "counter-revolution." Those who do not agree with their interpretation of what happened in 1956 (and that means virtually everyone who is not a party member) tend to talk simply about "fifty-six." But for the communists and the rest alike, the revolt against communist rule five years ago still looms large in their thinking about the present; and for both it represents a warning. For the communists it is a warning against repressive, short-sighted policies that might again build up intolerable pressures; for the others it is a warning that so long as the Soviet Union believes that it cannot afford to allow any repudiation of communism in eastern Europe, they are stuck with the present system. Within this narrow, rather rigid framework, the two sides are trying to come to terms.

For ordinary Hungarians this experimental manoeuvring is made more tolerable by their sense of humour; a barrage of sophisticated mockery protects them against, and consoles them for, a system that they know they cannot fundamentally change. (At the moment, Stalin's reburial and Albania's defiance are causing much amusement, from which even the communists, being also Hungarians, are not altogether immune.) The communists, on the other hand, are hampered in their relations with the people they rule by their own shibboleths; it is not so easy to grapple with the fact of one's own unpopularity, while simultaneously embroidering the compulsory fantasy that one is thoroughly acceptable. Nor is it easy to allow wider contacts with the West if one's basic long-term aim is to carry out among the people as a whole the radical transformation of their way of thinking that the

communist minority has already undergone.

Thus the situation in Hungary today is not straightforward or clear-cut. It presents a confused, contradictory picture of concessions here and clinging to the bad old ways there. A good many political prisoners seem to have been released, and the secretiveness of the regime on this score may make the situation appear worse than it in fact is. Most of the writers are writing again, though circumspectly, with the neck held well in. Although Cardinal Mindszenty remains in the American Legation, and last summer some clergy were tried and sentenced for alleged subversive activities, the government seems to be feeling its way towards a sort of *modus vivendi* under which the Church would enjoy religious freedom in return for collaborating, to a certain minimum extent, with the State. This may shock western Catholics, but to many Hungarian Catholics it may simply seem realistic.

What has done most to mar the image which the Kadar regime would like to present has been the helter-skelter scramble to complete the collectivisation of agriculture. The decision to press on fast with collectivisation in the winter and spring of 1959-60 (so that today 96 per cent of the arable land belongs to the "socialist sector") was the subject of much argument within the party; today the decision is publicly upheld as necessary to avoid a prolonged period of uncertainty, and privately deplored because of the resentment and dislocation that it has caused. It remains to be seen



Mr Kadar

whether the regime can—as it hopes—compensate the peasant for his loss of independence by giving him better living standards. Most industrial workers, on the other hand, can already thank Mr Kadar for some improvement in their lot. However hard they may have to work, however tiresome the periodic shortages, however expensive the goods in the shop windows, they are at any rate better off than they were before the 1956 revolt.

They are also less isolated from the outside world, although here the regime treads gingerly. People now listen openly to western broadcasts, most of which are no longer jammed; but they cannot buy western newspapers on the news stands. In Budapest one can see the best western plays and films. People flock to an exhibition of Henry Moore put on by the British. But their contacts with foreigners are still liable to irritating and ridiculous restrictions. Restrictions on foreign travel are less than they used to be but still pretty severe—although it is reasonable to accept the shortage of foreign currency as at any rate part of the explanation. The men who now rule Hungary, in short, realise that to limit contacts with the West to the barest minimum, as Rakosi did, builds up a dangerous and explosive sense of frustration; but in constructing a safety valve in the shape of freer contacts with the West, they are inhibited both by their own training and outlook and by their fear of undermining their proselytising mission among the Hungarians.

A SIMILAR, tricky balancing act has to be performed by Mr Kadar when tackling every aspect of the problem of coming to terms with the Hungarian people. He must also tread warily within his own party; as he said the other day, the party's forward march is accompanied by horse-flies "stinging us from both the right and the left." He may find that his situation has been made easier by the 22nd Soviet party congress; at any rate he is reported to have returned from Moscow much heartened by the way things went. Since 1956 he has always enjoyed Mr Khrushchev's support and it was naturally important to him that Mr Khrushchev should himself enjoy his own party's support. The disgrace of Stalin is not likely to go to any Hungarian heads, although Mr Kadar did point out, at the Csepel iron and steel works on December 1st, that those Hungarians who pulled down Stalin's statue five years ago would never be rehabilitated, since they had acted not from dislike of Stalin's mistakes, but from dislike of communism. But within the context of their actual political situation, most Hungarians, like Mr Kadar, were relieved at the outcome of the Soviet congress. They hope that Mr Kadar's hand will now be strengthened against the "dogmatists" who think him too soft, and that the improvement in their lot, such as it is, will now at any rate be maintained.

This is what matters to the Hungarians today: things are better than they were before 1956. It can be argued that the rule of law is no more firmly established under Kadar than it was under Rakosi; that human rights and liberties are no more firmly guaranteed, and the people no more free to choose how they should be governed. This is all quite true. But the Hungarians do not see their situation in such black and white; they are concerned with nuances, with comparisons with what used to be—and what might be again. Judged in this way, they know themselves to be better off, not only materially, but above all in greater freedom from the

intolerable pressure to conform to the communist creed. It is no longer necessary to be a communist if you want a job with any responsibility; there is no longer the same compulsion to attend communist classes. There is, of course, no guarantee that this trend will continue; it could be changed very quickly by some upheaval inside the Hungarian—or Soviet—communist parties. But it is reasonable to hope that the longer the present trends continue, and perhaps develop, the more difficult will it be to reverse them.

There is some evidence that the Hungarian government would like to get on better terms with the outside world. This should surely be encouraged. It is tempting to stand pat, as Sir Leslie Munro does in his latest report to the United Nations, on the incontrovertible fact that the basic freedoms of the Hungarian people have not been restored. But indignation does not help. Mr Kadar is probably the best prime minister the Hungarians can expect to get. If most of them recognise this, should not the outside world do so also?

Mr Kadar has begun to open his western windows: whatever his motives, this is welcome and is bound to benefit the Hungarians. Whether he opens them wider, or slams them shut, will be at least partly influenced by the outside world's attitude towards him. It is good news that he has invited the UN acting secretary general to Hungary, and that U Thant has accepted. One hopes the visit will not be too long delayed; it will encourage the Hungarians, and it may even induce Mr Kadar to open his prison doors still wider as well as his western windows.

The Economist

DECEMBER 14, 1961

THE INCIDENT AND THE FUTURE

(From Our Special American Correspondent)

Nothing is yet talked of but the capture of the Confederate agents, Messrs Mason and Slidell. The topic will outlast the ordinary nine days, for its interest will be rekindled as we approach the time when the reply of the English Government may be expected. . . . The only newspaper which shows any regard for the future in its treatment of the question is the New York Tribune. That journal suggests that to obtain the recognition of the American doctrine that "free ships make free goods"—that is, that the neutral flag protects the cargo—it would be worth while even to release the arch-conspirators. On the other hand, our Government may find it a good opportunity to obtain the definite adhesion of that of the United States to the accepted European doctrines upon the whole question. The point should now be settled one way or the other; and if the American Government in their present arrogant temper persist in acting upon one principle while they adhere theoretically to its converse, it is high time for the Western European Powers to adopt a set of rules of law upon the question, and see that they are carried into effect. And should the particular act in question be pronounced illegal and unjustifiable, some adequate punishment ought certainly to be inflicted upon Captain Wilkes, who is primarily responsible for so much trouble, and for the imperilling of the vast interests involved in a preservation of peace between this country and Great Britain. Otherwise, we may have a renewal of angry diplomatic discussion any day, as the extravagant laudations lavished upon Captain Wilkes by the whole of this nation will be an indication to all enterprising officers of the navy that they have only to be sufficiently bold and reckless, and to make their mark for insult a British ship, to be canonised, or at least to have a chance of the Presidency. Wilkes has already been suggested by one of the most respectable of the New York journals as a candidate for that high office at the next election, and at Boston, the capital of conservative Massachusetts, a great ovation is being prepared for him. While the primary satisfaction in this case was of course the capture of the rebel agents, it has been transparent from the first that the choicest spice with which the dish was seasoned was the boldness of the act of boarding an English mail packet. The national vanity is vastly flattered. This success almost atones for Bull's Run!

NOTES OF THE WEEK

KATANGA

Running from Parliament's Storm

THE Government has been manoeuvring desperately all this week to extricate itself from a potentially extremely serious situation on its back benches over Katanga. When last weekend's announcement that Britain would supply the United Nations with bombs was made, there was already a fairly innocuous pro-Katanga motion on the order paper. It was immediately transformed into a censure motion by the tabling of a fierce amendment by Lord Hinchinbrooke. Twenty-seven members signed the original motion, and eighteen promptly signed Lord Hinchinbrooke's amendment, deploring the Government's decision to supply United Nations aircraft with bombs. From the names on the order paper, and the clamour of those who supported the amendment's sentiments but were too cautious or too timorous to sign, it was plain that the Government was faced with a substantial revolt of anything up to eighty Tory members. They came from all sections of the party, but mostly from the right and centre of it. These are the members who may have found it convenient to have forgotten Suez but who certainly have not forgiven the United Nations for the part it then played. The Prime Minister, who never likes to be too far ahead of the centre of his party, turned around smartly, put an embargo on the bombs (which the UN authorities have now said they do not want anyway) and tabled his very cunning motion for debate on Thursday, which called for a cease fire in Katanga and the creation of conditions for the achievement of a peaceful "united Congo." This was carefully worded to command the widest possible support in the party. At one extreme, Mr Macmillan judged that if the far right wing continued to threaten to vote against the Government on a censure motion, it would find itself isolated, and limited again to the tiny handful of Suez diehards plus the Katanga lobby. At the other extreme, the wording was also deemed to satisfy the small team of younger Conservatives who had put down a mildly worded motion supporting the United Nations action in the Congo.

As Thursday's debate started (and as *The Economist* went to press) everybody was therefore assuming that the Government had got out of its immediate parliamentary difficulty. But it has done this only at a price. Prestige has been lost abroad and, at home, hostages have been given to fortune. The right wing has been exhilarated by its first major success, and could thereby be encouraged to put up a stronger battle on other impending matters than they otherwise might have done; the rebel groups' immediate reaction to the Prime Minister's

retreat was to put down an addendum saying that Britain's monetary contribution to the UN in the Congo should be withdrawn unless Britain's wish for an armistice is fulfilled. As for the electorate, they may not be able to unravel the complexities of the Congo, but they know indecision and vacillation when they see it, and what is more, they like it almost less than anything else. Since returning to Westminster the Government seems to have lost its nerve and its touch, a situation for which a large number of individual ministers share responsibility. But the heaviest burden of blame for recent ineptness must rest squarely on the Prime Minister. Is Lord Lambton to prove, in part, a true prophet after all?

IMMIGRATION BILL

The Other Revolt

ON its other current headache in the Commons—the Immigration Bill—the Government has had another bad week, although it could no doubt have been worse. By refusing to attempt the impossible and apply the bill's unenforceable provisions to the Southern Irish, Mr Butler managed to steer it one clause further on its difficult course. The only error of judgment made was to insist on a premature closure of the debate; this infuriated a small group of Conservative insurgents. Eight Tories voted against the closure, but they then supported the Government in rejecting a Labour amendment to exclude the Irish from the bill. More Tory revolts are expected later; doubtless, it was the whips' intention to prevent any declarations of future action being made which caused the debate to be curtailed. There was however no sign of the prophesied guillotine.

It seems pretty clear that this bill is going to get through in substantially the form that the Government wants. It is interesting to speculate why Tory backbench revolts over it are so far having no visible effect, while the Tory backbench revolt over Katanga most certainly has done. One answer—which could be of some cheer to the Government in view of coming struggles over the common market—is that the centre section of the party is loth to join insurrections when there is any danger of members thereby finding themselves in bed with the Opposition. The result is that such revolts now rarely have any great effect. This, be it noted, is the exact opposite of the theory on which parliamentary democracy was supposed to be founded; it used to be supposed that the one sort of backbench revolt

that could bring most pressure on government policy would be the sort that an Opposition might support, thus threatening defeat of a government on a vote of censure. But nowadays these sorts of revolt, which would *ipso facto* give expression to the views of the majority of MPs, never seem to get going; while the other and minority sort of revolt can apparently flourish like the green bay tree.

PUBLIC OPINION

What Sways Whom?

PERHAPS the most interesting political news about the Immigration Bill this week, however, has come, not from Parliament, but from first indications of its effect upon the electorate. At the beginning of the battle over the bill, most MPs, on both sides, believed that Labour and the Liberals would lose votes in the country by "siding with the blacks"; they pointed to an early public opinion poll which showed that an overwhelming majority of people agreed, in abstract principle, with imposing some controls over immigration. Those who argued that it would be the Tories who would lose electoral support through the bill were derided. But they now seem to have the statistical evidence on their side. The *Sunday Telegraph* last week published a Gallup poll which had been taken just after the second reading debate on the bill. With fine British perversity, 34 per cent of those questioned said that they intended to switch their votes away from the Conservatives because they disliked the Government's introduction of the bill, and 1 per cent said that they intended to switch away from Labour because they disapproved of Mr Gaitskill's opposition to it; the ostensible gainers were the Liberals (by 3½ per cent) and "others" (by 1 per cent).

No doubt these figures should be taken with a pinch of salt; the *Sunday Telegraph* itself commented that "previous experience has shown that few people decide their vote on a single issue." But the broad implication of the poll very probably is right. Although the majority of the electorate is not particularly liberal-minded (with either a small or a big L), the largest number of floating voters like to think that they themselves are. The main way in which any party can lose support among these floating voters is by appearing to be anti-liberal in any matter which the great advertisement hoarding of parliamentary debate has brought sharply into public attention. This is an inference and a conclusion that is fraught with large implications, of which all parties have long failed to take sufficient cognisance. It has very great relevance, for example, to the electoral asininity of

Labour's present trend towards becoming the party that is apparently going to oppose Britain's entry into the common market. It should have some interesting implications for the Tories' Katanga lobby, too.

ALBANIA

Russians Go Home

SOME angry mud-slinging by both sides has followed Russia's decision to break off diplomatic relations with Albania. It was announced in Tirana last Sunday that on November 25th and on December 3rd the Russians had told the Albanians that they were going to withdraw all their diplomats from Tirana, because they were hopelessly hindered from carrying on their normal activities; they demanded in return that all Albanian diplomats be withdrawn from Moscow. The Russians also complained of the hostile activities of Albanians living in the Soviet Union and of an "unprecedented" Albanian demand that the staff of the Russian embassy in Tirana should be cut by nearly two-thirds. In diplomatic notes, and at great length in their party newspaper, the Albanians have rebutted all the allegations "with the greatest amazement and indignation" and have weighed in with a heavy barrage of counter-allegations.

The Russians apparently do not consider that their action amounts to a formal rupture of diplomatic relations. All the same it is, as the Albanians indignantly point out, "unprecedented in the history of the relations between socialist states"; even at the height of the Russian quarrel with Marshal Tito in 1948 diplomatic contacts were never completely severed. Moscow's gesture, however, can hardly make its relations with Tirana any worse than they already are. And if the Council for Mutual Economic Aid (Comecon), which has been meeting this week in Warsaw without the assistance of any Albanian delegate, decides to expel Albania this can hardly make Albania's economic isolation from eastern Europe any more complete; all the members of the Soviet block have withdrawn their economic aid in recent months. If the Albanians stick to their present stout resolve never to accept help from the "imperialists" they will remain completely dependent on Chinese aid.

It is, of course, Peking's increasingly close relations with Tirana that make the fate of Albania important. The Albanians will not be the only ones to suspect "ulterior motives" in Mr Khrushchev's latest attack on them. According to *Zeri i Popullit*, "he wants to threaten and forewarn any other party that might dare contradict his views..." This may well be so. Some of the criticisms of Mr Hoxha set forth at length in the latest issue of *Kommunist*, such as his attitude towards peaceful co-existence and his disapproval of Russian aid to underdeveloped countries, are among the favourite bones of contention between

Moscow and Peking. This latest, somewhat distant, Russian trumpeting outside the walls of Peking seems unlikely to suffice to bring them down; it is more likely to widen the split in the communist world.

CHINA AND UN

Taciturn and Tactical

INDIA is notably absent from the list of 58 countries whose delegates have asked to speak in this year's Assembly debate on China's UN seat. At previous Assembly sessions, India had proved a more effective champion of the Peking government's claims than Russia. But the present debate, now near the end of its second week, has taken place against a background of virulent attacks on Mr Nehru in the Peking press, and of Indian charges of new aggressive moves by Chinese forces on the Himalayan frontiers. Meanwhile Russia has pressed communist China's case at the UN despite the quarrel between the two powers that has come into the open in regard to Albania. In the UN corridors, however, there has been some serious speculation about the real motive behind the framing of a Soviet resolution so strongly worded as to alienate some states that might have voted for a more temperate version of Peking's claims.

American tactics on the issue have been as strikingly new as India's taciturnity. Uncertain whether the Assembly would any longer accept the ritual motion of previous years postponing consideration of the substantive question, the Americans this year agreed to a full debate—which is being held in plenary session, not in committee. They have tabled, jointly with Australia, Colombia, Italy and Japan, a resolution which would define the China seat question as one important enough to require a two-thirds majority vote. It is generally accepted that this definition will be adopted (by a simple majority), and that the consequently needed two-thirds majority in favour of transferring the seat to Peking's representatives will not be mustered this year. As to the future, opinions among delegates differ, some holding that a two-thirds majority may well appear as early as next year, others that the new definition could debar Peking from the seat almost indefinitely.

In the babel of debate, only a few voices—notably that of Nigeria—have been raised to point to the obvious fact that two Chinese states actually exist and that neither can be wished out of existence. Any such reference to "two Chinas" is denounced by the communist powers as "imperialist collusion." Nor is it overtly acceptable to the Chinese Nationalists in Formosa or their American protectors. Yet the most telling part of Mr Adlai Stevenson's speech on the first day of the debate was his reminder that the Taipei government actually rules an area larger than that of eight UN member states, and a population—11 million—greater than that of 65 UN members.

GOA

Anschluss?

INDIA's patience is exhausted, said Mr Nehru, on Monday; the remark evokes memories not calculated to gain him sympathy in the West. It is hard to say just what the Portuguese in Goa have done recently, apart from loosing off two panicky bursts of gunfire, to provoke New Delhi intolerably. Portugal's colonialism is little more enlightened in its "state of



Portugal in India

India" than it is in Africa, but it is no worse today than it has been for the past fourteen years. Dr Salazar cannot hold on to his remote Asian outposts for ever, and it is likely that the increasing financial and military strain of the war in Angola will slacken his hold on his empire fairly rapidly, just as it will undermine the regime in Portugal itself. Geography, history and racial similarity make it certain that India will inherit Goa (and the two tiny enclaves of Diu and Daman).

The Indians need only wait. Indian reports that the Portuguese have carried out raids across the border are difficult to believe. Why should Dr Salazar provoke his enemies to attack his already precarious position? The Portuguese proposal that international observers be sent to the Indian-Goan frontier "for the purpose of examining the attitudes of the forces present there and of determining the nature and responsibility for any incidents that may take place" is not only sensible but suggests that Lisbon has, on this matter at least, a clear conscience.

Mr Nehru, in spite of this, has expressed his renewed determination to get Portugal out of Goa as soon as possible, and, while denouncing violence and appealing for negotiations, has ordered a concentration of troops. One of his motives is presumably to divert the domestic clamour for action on India's disputed border with China. The quarrel with Portugal gives him an opportunity to challenge the opposition's "more

anti-colonialist than thou" attitude. It also affords a welcome chance to prove to the uncommitted nations, who have sometimes girded at India's moderation, that in the year of Angola, Bizerta and Katanga he is a paid-up member of the anti-imperialist club. Mr Nehru, it is to be hoped, does not want, and Goa is not worth, a fight; but the activities of the extremist Indians and Goans, which his pronouncements have stimulated, may yet bring one about. There is already talk of 5,000 volunteers marching in to liberate the colony.

AUSTRALIA

Surprise Election

EVEN now (*writes our Canberra correspondent*) it is not clear who has won the federal elections in Australia. The postal votes are still coming in and the second preferences have still to be distributed. It is, however, clear that the result is as bad as possible in that it cannot produce a government strong enough to govern. Whether Liberal and Country party, or Labour, it cannot have a majority of more than one in the House of Representatives; while in the Senate the Liberal-Country party certainly, and a Labour government possibly, would lack a majority.

The government's loss of between 15 and 17 seats has surprised everyone. It has shocked the Liberal and Country parties,



You are surprised; I am astounded

whose over-confidence (as in retrospect it seems) was perhaps a factor in the government's defeat; it has surprised the Labour leaders, who had promised all, as only politicians can who are safely in opposition; it has amazed the business men who, nursing personal grudges for reduced profits or stock exchange losses, registered a protest vote without any idea that it would be so effective. It has confounded the pollsters, whose figures even on the eve of the election showed a definite lead for Mr Menzies; and it has embarrassed the commentators and psephologists, who declared with absolute certainty for a full day after counting started that Mr Menzies was home and dry.

NOTES OF THE WEEK

The change since polling day is dramatic. Every news bulletin has brought fresh tidings of disaster for the government parties. Two ministers have gone—the minister for supply, Mr Hulme, and the minister for health, Dr Cameron, both in Queensland, where the government has lost either ten or eleven seats. The minister for repatriation, Mr Osborne, and the minister for the army, Mr Cramer (who fought the Lord Mayor of Sydney, Alderman Jensen) may also lose their seats. Such is the penalty for supporting an economic policy which the voters never understood and which they do not realise is put into reverse.

If it is the Labour party that emerges with a majority of one, its leader, Mr Arthur Calwell, will no doubt go to the country again at once. His party would first seek a proper mandate from the electors to carry out its electoral promises, and then, no doubt, set about talking its way out of the more awkward of them. If, on the other hand, the Liberal-Country party coalition is found to have been elected, it will struggle on with its majority of one doing as little as possible. The new senators do not take their seats until June 30th; and till then the Liberal-Country party coalition controls the upper house. By that time the deflationary measures already introduced may make themselves felt. Time, aided by masterly inaction, may yet be on Mr Menzies' side.

AGRICULTURAL ESTIMATES

Prodigal Calves

BROILER chickens do not usually come home to roost; but they now seem to have gone to roost on the Government instead. The housewife's preference for this new, expanded and unsubsidised form of agricultural production has helped to leave the Minister of Agriculture with an embarrassingly increased subsidy bill for livestock. The total extra bill for British agriculture in the supplementary estimate announced on Thursday amounts to £78 million, of which £67 million concerns livestock price guarantees. The Chancellor will certainly want to know why. The butchers, wholesale and retail, are bound to come under heavy fire again, if not directly from Mr Soames, then from the farmers themselves, who have been scowling darkly at shop prices all summer. Although the public's disinclination to buy meat has been evident for months, most butchers have deliberately persisted with their policy of stable prices for the consumer—even while the prices they have paid for fatstock at the auctions have fallen. This has increased their profit margins, but kept down their trade; and this in turn has reduced farmers' auction prices (and thus increased the Government's subsidy bill) again.

But the real culprit for the discrepancy in the Ministry's estimates is the Ministry itself—and political pressures at the annual price review. In desperation to pick a winner for the farmers a year ago the

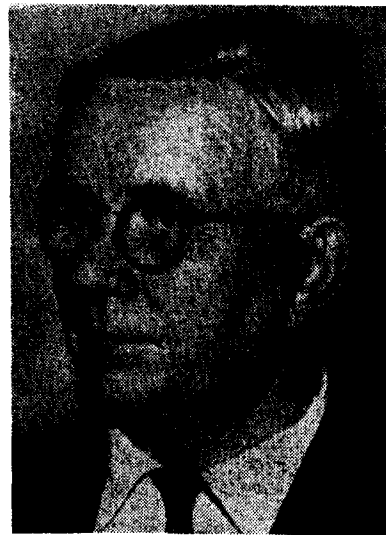
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Ministry raised the guaranteed price for beef by 10s. a live cwt. at the price review. This was, as it turned out, quite unnecessary even to maintain the existing level of supplies, for the good winter and spring brought droves of cattle and sheep on to the market. It was also, despite the general tendency of meat consumption to rise with affluence, a gross miscalculation of the British housewife's preferences. The butchers' refusal to cut selling prices sufficiently as auction prices fell has no doubt aggravated the Ministry's difficulties; but it may not be entirely a coincidence that revolutions in efficiency in retail outlets rarely take place in trades that are too rigidly dependent on raw subsidised commodities. The modern housewife has apparently been finding her modern grocer's (with its broiler fowls, processed meat and refrigerated sales—as well as more flexible prices) a far more attractive place to do her extra, impulse buying than the family butcher's.

SOUTHERN RHODESIA

Black Tories?

THIS is how the argument about whether Africans will one day govern Southern Rhodesia is being conducted. The Europeans, led by Sir Edgar Whitehead, the prime minister, seem—to their credit—to be willing to meet nearly every African demand except the two most important—the demands for more land and for universal



Whitehead is willing

suffrage. They are even willing to contemplate a slow absorption of "moderate" Africans—as distinct from African nationalists—into the government, leading, perhaps to a black majority in the far distant future. They hope to train these black men to think and act like today's white men, just as the establishment in Britain has maintained its position by absorbing some of the best men from the ranks.

But this is as far as Sir Edgar's government will go. Any real challenge from the impatient ranks of the nationalists will be sharply put down. That is why Sir Edgar

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BASF

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banned the African National Democratic party on December 9th. His talk of intimidation, and of the NDP's supposed lack of support from African moderates, shows he has not learned the lesson of Nyasaland. None of this is likely to make Africans more partial to federation.

For their part the African nationalists have shown through the NDP an understandable, but unfortunate, degree of truculence. They have been unwilling to play the slow, gentlemanly kind of political cricket called for by Sir Edgar: they are unsure of their ability to win under such circumstances. Rather like the British working classes of an earlier generation, they prefer to strike and demonstrate and boycott to gain their ends. Sir Edgar has little chance of creating black Tories fast enough to keep men who think his way in power; banning the Africans' political party has been proved in other countries to be the best way of strengthening the ideas it stands for.

GHANA

Off-White Paper

DR NKUMAH'S ideal is to serve all Africans; sadly, he has become an embarrassment to many of them. The white paper published by the Ghana government on Monday expresses the hope that it will prove of value to all emergent countries "as illustrating the type of internal subversion against which any progressive government based on mass support should guard." But, because they are inevitably judged by Ghana's conduct, other young countries in Africa have been done a disservice by Dr Nkrumah's republic.

The white paper says that five main untruths have been spread: that Ghana was on the verge of revolution; that it was nearly bankrupt; that it was corrupt; that it was a dictatorship; and that it had made a deal with the communists. But if Ghana was not on the verge of revolution, why were the government's opponents arrested and detained without trial? People may indeed have plotted against the president; but forty pages of allegations against prominent Ghanaians and foreigners, including the president of the Togo republic, "neo-colonialists," expatriate firms, and *The Times*, do not carry as much conviction as would a single demonstration in open court.

Ghana is not bankrupt yet; Dr Nkrumah is quoted as saying that its sterling assets, at £100 million, are 2½ times its currency circulation and enough to pay for a year's imports. It is also true that corruption "is a disease which affects all nations," though it is an oversimplification to say that it is caused in emergent countries by foreign firms wishing to buy privileges for themselves. Answering the charge that Ghana is a dictatorship, the government bravely affirms its belief that people who are oppressed may have to overthrow a tyrannical government by force; but it distinguishes between this kind of revolution

and a conspiracy by a small group to stage a *coup d'état* against the people's wish. Finally, the government may be given the benefit of the doubt when it defends its policy of non-alignment.

All this said, the white paper's weakest, and blackest, point remains its attitude to bringing the facts out in open court. It offers two explanations of this: that it is usually impossible to prove the guilt of the leaders of conspiracies, and the subordinates therefore suffer; and that it is better to detain conspirators until the day of reconciliation than to find them guilty of treason and, perhaps, hang them. This argument is casuistry worthy of the most devious neo-colonialist.

NUCLEAR DISARMERS

Damp Squib

IF some sympathy may be felt for Lord Russell's nuclear disarmers because they were let down last week-end by (at a guess) 90 per cent of their following, little has been spared for the conduct of their self-appointed crusade against law and order. The public has begun to shy away from this militant group to which it may have been, in the grand days of September, a little attracted by its evident underdogness. In this sense the biggest mistake of the Committee of One Hundred has been to behave as if Britain were a police state, and to represent the Government, the Americans posted here under Nato agreements and the police as aggressors and oppressors.

But military bases have to be protected against trespassers (and trespassers from the dangers they are liable to meet on military bases). The authorities were therefore unable to treat last weekend's law-breaking with indifference, and responded by employing the Official Secrets Act (with liability for two years' imprisonment), raiding the committee's offices, and massing upwards of 10,000 policemen and airmen against the

prospective intrusion into the Nato bases. Perhaps the biggest blow was the cancellation of bus bookings made by the demonstrators for the journey from Braintree to the Wethersfield base.

In the event rain and apathy kept away from the seven chosen targets all but 6,000 campaigners, where 50,000 had been expected. At Wethersfield only 200 faced the 5,000 airmen, 1,000 assorted police, 12 dogs, two helicopters and six miles of barbed

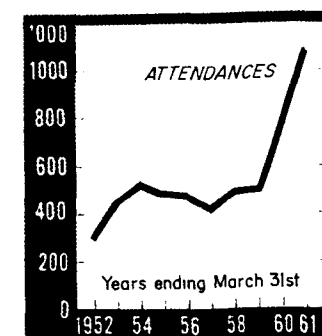


Not quite so underdoggy

wire; Ruislip was better attended, Brize Norton worse. There were 850 arrests, many small fines, some short imprisonments and some longer ones of two months.

It would be a mistake to think that this fiasco has dealt the committee a death-blow, or marks the beginning of its decline into dotage. But it is likely that many moderates will go back to the non-disobedient branch, the Campaign for Nuclear Disarmament, and that Lord Russell's committee will become increasingly less civil in its disturbances and less passive in its resistance as the angries take over.

Topping The Tate



LAST year's record number of visitors to the Tate Gallery was swollen by the 459,000 attracted to the Picasso exhibition. Nevertheless, each year more people make the special journey to this out-of-the-way gallery, some 100 works are added to the collection and the pressure on space gets greater and greater.

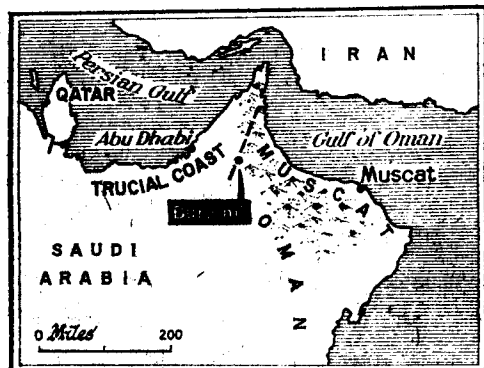
The Ministry of Works' decision to start work on an extension at the rear of the existing gallery has fallen a victim of Mr Lloyd's pause policy. It is to be hoped the plans will not get too dusty. The trustees have enterprising ideas about what is needed, envisaging three or more floors of galleries, better accommodation for the reserve collection, a lecture and film-showing room, and a new restaurant. Rightly, they are against matching the roman-temple style of the old; but it will be an architectural challenge to conceive a modern design which will rise above the existing cornice line and yet look dignified against the towering neighbourliness of the new thirty-odd storey Vickers building.

Arabia's Brandenburg Gate

SINCE the Suez crisis in 1956, when Saudi Arabia broke off diplomatic relations with Britain, the two countries have been out of touch. London's gradual repair of its diplomatic rift with Cairo brought nothing parallel with Riyadh. For the Saudis insisted that a number of frontier disputes, the chief of them that of Buraimi, should be settled in advance of resuming normal relations. There was thus a deadlock, from which its originators would now like to extricate themselves.

Abdul Rahman Azzam Pasha, the Saudi Arabian government's political adviser, came to London last week for talks with Lord Home and others at the Foreign Office. These talks, as may well be imagined of the Arab League's persuasive former secretary-general, were friendly and free. Though Azzam Pasha could offer no digression from his government's original standpoint, the desire to resume diplomatic relations was evident. It would seem that some preliminary activity in tackling the Buraimi question might suffice now to bring this resumption about.

The immediate problem is that of the return to Buraimi of the Saudi-indoctrinated tribesmen who fled to Saudi Arabia when the Saudis were evicted from Buraimi in



1955 by the Trucial Oman Levies. The oasis then reverted smoothly to its traditional owners, the Sheikh of Abu Dhabi and the Sultan of Muscat and Oman. These two rulers naturally fear the return of a native fifth column. Buraimi to the sheikh and the sultan is as Berlin to the western powers; and in practical terms it means more. Whoever controls Buraimi has his hand on the whole flow of traffic in this part of Arabia. Not for its oil potential—which to all appearances is nil—but because of its importance as a junction and a gateway to inlying Oman is the oasis so coveted.

The return of the refugees in small batches would not necessarily be overwhelming. According to Mr de Ribbing, the Swedish ambassador to Spain, who has been examining their claims on behalf of the United Nations and at Riyadh's and London's request, only 1,400 out of 4,000 claimants, so far, have been able to prove that Buraimi is genuinely their home. Mean-

while the rupture in British-Saudi relations is of no advantage to Riyadh since it merely makes Abu Dhabi and Muscat and Oman less ready to be accommodating. When they see their British protectors on bad terms with the Saudis, they do not see why they should stir themselves. The rupture in fact suits their book.

Tales of Ghalib

THE Omani rebels against the Sultan of Muscat and Oman are equally suited by the rift between Britain and Saudi Arabia. It brought them powerful Saudi support for their case at the United Nations, although the Saudis, in truth, are not so ardent in championing them as once they were. By a simple majority—African, Asian and communist—in the special political committee of the Assembly on December 4th the rebels won their way to a hearing in plenary session. But they did not get the two-thirds backing that would assure them the Assembly's adoption of the political committee's recommendation that their "right to self-determination and independence" should be recognised.

"Self-determination" in this context is a tricky word. Their leader, the Imam Ghalib, can no more claim to have been democratically elected than any other Arabian potentate. Democratic choice is simply not the Omani custom, and that many Omanis have supported him through his somewhat ineffectual exile is a matter of the gravest doubt. His attempt in 1954 to carry Oman out of the Sultanate of Muscat and Oman was inspired by a wish to monopolise the benefits from the oil that was thought, at the time, to be present in his parish. (None, in the event, has yet been found.) He was virtually "doing a Tshombe" and whatever the local allegiances—they are admittedly mixed up—little good can come of breakaway tribal movements in a region that can never progress if its people will not pull together. That the Arab League should be espousing such retrograde forces in its drive against "British imperialism" is one of the many absurdities to which Britain's outmoded involvement with the Persian Gulf rulers gives rise.

OMBUDSMAN

Lord Kilmuir Objects

WHEN the Lord Chancellor means "No," he generally says that he is "still considering" a matter. But the influence and energy of this redoubtable man have often been an important element in government decision-making; and last week he appeared to make it fairly clear that the Whyatt recommendations on Ombudsmanship for Britain would go through only over his dead (or perhaps eventually retired) body. There were two main recommendations in the Whyatt report. One was that private citizens should be given much

wider opportunities to appeal to some particular or general tribunal whenever they disagree with some discretionary decision made by an official against them. Lord Kilmuir questioned whether Britain would get good administrators "if there is not to be responsibility, if there is always to be an appeal." He also plainly did not think much of the idea that there was need for a general authority to grant new avenues for appeals in matters where no tribunals exist at present, because "the whole tendency in our Parliamentary lifetime has been for Parliament to insert provision for a tribunal in an Act when it thought right."

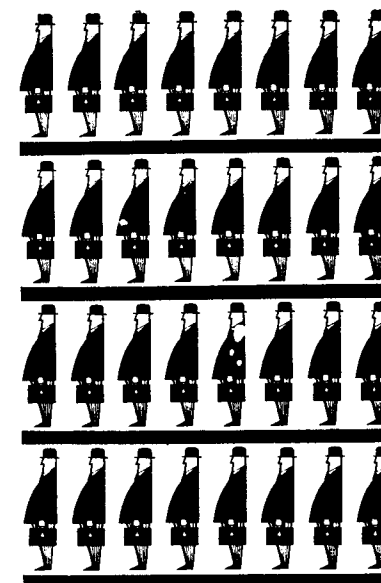
The second main Whyatt recommendation was for the establishment of a Parliamentary Commissioner (or Ombudsman) with special powers to investigate complaints against acts of maladministration and official misconduct. Here Lord Kilmuir said that a "Minister himself must discipline his staff when they err," and that "criticising the Minister's policy is a matter for Parliament" (not, by implication, for an Ombudsman). Moreover he reported that "many are troubled" at the thought that an MP, instead of "preserving his personal relationship with his constituents," might pass to the Ombudsman the task of investigating complaints which MPs had hitherto thought were their own duty. In saying all this, Lord Kilmuir claimed—and indeed twice reiterated—that he "was trying to raise the points which your Lordships should consider, rather than prejudge them in any way." But of course he was prejudging them, and in a way that was peculiarly reactionary, myopic and depressing.

EUROPE

Yorkist Manœuvres

ONE by one the six men whom Britain marched up the hill into the European Free Trade Association are marching down again towards the common market. Denmark is already negotiating for membership. The Norwegian government is quietly preparing its public for a similar move. This week the three neutrals—Austria, Sweden and Switzerland—were on the point of applying for association.

Unfortunately the way back may prove stonier for the neutral rearguard than for the committed in the van. Indeed, given the deep reluctance of the neutrals to go all the way to integration, there is a real danger that they will be left uncomfortably on the slope, neither up nor down. The Six, for their part, have their hands full with the accommodation of new members and feel no enthusiasm for new associates who would not add to the political strength of the Communities. The United States takes an even stiffer view. It is prepared to stomach discrimination against its own exports for the sake of a politically integrated western Europe, but not for the sake of Switzerland's export trade. "Why



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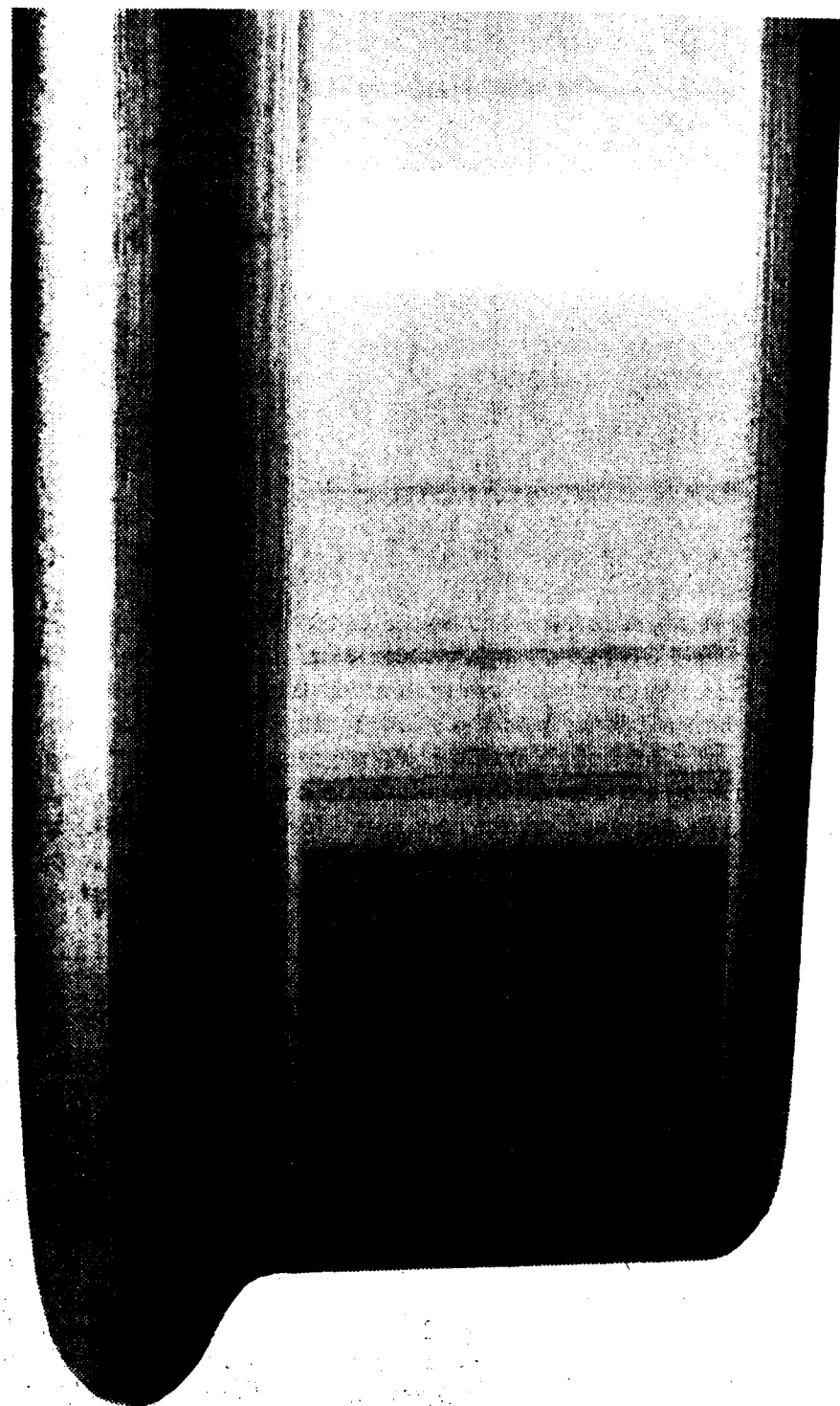
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not present the neutrals with the choice of full membership or staying out? " they ask cheerily in Washington. " That might make them plump for the West wholeheartedly."

The trouble is that this stark choice might have exactly the opposite effect. This week Russia protested to Austria that association would be a breach of the neutrality enshrined in Austria's state treaty. The Austrians have gone courageously ahead just the same; but they fully admit that an application for full membership would be a breach of their pledge to Russia—a demonstration of bad faith which could rebound on any east-west talks and perhaps even jeopardise Austria's independence. Finland's case is even more difficult. Russia has the power to make life difficult for the Finns at any time. Sweden's movements are restricted by what happens to the Finns. Sweden originally stayed out of Nato in the reasonable belief that such a move to join might precipitate a Russian countermove to occupy Finland. A move to join the common market (which many Swedes would like to make) might not have quite such dire effects, but it could still provoke trouble. The West does not want a new communist wall along the Baltic coast.

Finland's case might perhaps be met by the simple means of removing the common market tariff on the few vital Finnish export commodities—pulp, paper and timber. And though Switzerland has every right to cherish its traditional concept of neutrality, no one can argue that exclusion from the

common market would push it into the communist grasp or indeed that its neutrality—devised in the age of Franco-German rivalry—is particularly relevant to the world today. But so long as the cold war persists, the neutrals strung out along the iron curtain have a special claim on western consideration. Their problem existed long before Britain's rash pledge to wait at the door of the common market until all its little men are home.

INDO-CHINA

Chers Princes

POSSIBLY, the three Laotian princes will meet on Monday in Vientiane; and then again, possibly they will not. They are still arguing about the place and about security arrangements. Last week Prince Boun Oum, prime minister of the government recognised by the western countries, said he was prepared to go to the Plain of Jars, the communist and neutralist stronghold, without an escort. This week Prince Souvanna Phouma, premier of the neutralist government recognised by the communist countries and certain neutrals, has wired Boun Oum (" Dear Prince . . . ") to say he believes the plan for a meeting in the Plain of Jars will be impossible. Instead, he has proposed to go to Vientiane himself next Monday, and to send military officers two days earlier to ensure his personal safety.

At Geneva, meanwhile, the fourteen-power conference on Laos is maintaining its impressive late burst of speed. It is now agreed that foreign troops and " paramilitary personnel " are to be withdrawn within seventy-five days of the signing of the proposed settlement. The French, who retain military installations in Laos under the Geneva agreements of 1954, are to be allowed to keep them a little longer, though how much longer has not yet been worked out. There was a burst of self-congratulatory speeches at Monday's session of the conference. Clearly, the ball is once again in the princely court.

The incipient peace in Laos is unfortunately not matched on the Vietnamese side of the border. On Friday, December 8th, the American State Department published an account of communist actions in south Vietnam and took the unusual step of distributing it to all members of the United Nations—which has not formally been seized of the Vietnamese situation. The American document is in two parts. The first describes the pattern of communist infiltrations from north Vietnam and of murders and terrorist outrages in recent months; the second reproduces the confessions of captured communists and instructions to them, seized by the south Vietnamese security forces. The American publication draws attention to a situation (further discussed in a message from Saigon on page 1128) that threatens peace in south-east Asia, and which any international agreement on Laos will ease, but will not solve.

HOME REPORT

Members of the editorial staff and local correspondents report on life and happenings in and around Britain

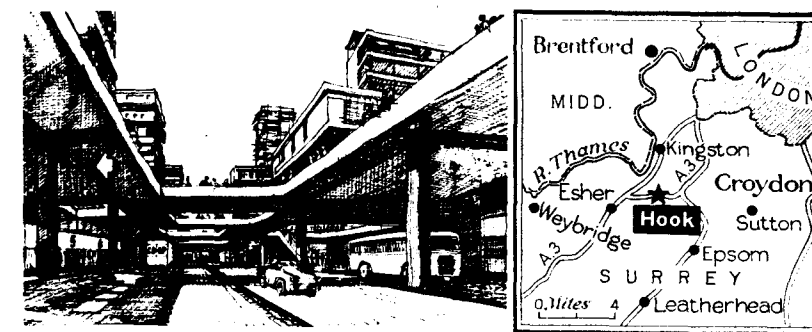
Life on the Hook

FROM OUR SPECIAL CORRESPONDENT

IT is 1975, and the driver on the Devon motorway who has left Camberley behind him sees a strange town on his right. Entering, he finds that the main street is a kind of open traffic drain, spanned by footbridges and flanked with a gridiron system of roofed car parks. Parking, he ascends by escalator to a large platform, where he finds a substantial but compact town centre of elongated shape. All buildings are serviced from below, with the aid of communal hoists and storage facilities on an intervening floor, and only walkers traverse the centre. The routes away from the centre are also paths, flanked by play areas, clubs, pubs and churches, whence lesser paths lead off to flats and the garden entrances of terraced housing. From a front door the visitor could drive back to the centre by a circuitous route; but following his original path, he passes beneath the main ring road after only ten minutes' walk from the centre and is soon admiring the finely landscaped fringe of the town.

This would have been Hook if the London County Council (or its successor) had been allowed to build it. The design for this unborn city of 100,000 people, now wryly published by the LCC,*

* " The Planning of a New Town," obtainable from LCC Information Bureau, 52s. 3d., with postage.



Town that might-have-been

has some excellent ideas. It would be a motorised city with a garage for every dwelling and ample parking in the centre; yet also a town in which children, housewives and others could walk about everywhere in safety. Its visual scale would be intimate, yet the town would have a splendid natural background. The housing would be intended for a more varied population than in earlier new towns, and its lively centre would directly serve the " inner town " of 60,000 people, thus partially superseding the older orthodoxy of a string of separated neighbourhoods.

All the same, the Hook design is just a shade inhuman, mechanical and ant-like. It is easy to trace this town's pedigree, from Urbanity out of Agriculture. Urban compression is fashionable among architects and placates rural gentry; it also genuinely enlivens a town and reduces distances, but compression when combined (as it must be) with some attempt to satisfy popular tastes easily becomes monotonous and perhaps self-defeating. In the Hook design the inner town would be built partly at 100 and mainly at 70 persons per residential acre; given the ample provision of garages, this would involve a much tighter squeeze than in the existing new towns.

By ingenious arrangements, the planners have placed almost 70 per cent of dwellings (in the town as a whole) "on the ground" with individual gardens; and the housing pattern is expected to match demand, so long as older people move promptly to smaller dwellings as their families contract. But many "gardens" would be minuscule affairs; and planners surely cannot expect to move families about like ninepins. Tall flats near the centre may increase a town's "urbanity," but to little purpose if they

are not genuinely wanted. The use of rather lower densities in fact has facilitated greater variety of lay-outs and designs, and a less cellular and repetitive pattern; this would probably please more people and would certainly not increase the costs of development. As things are, the curiously Chinese flavour of the Hook illustrations seem to mirror the sociological precision with which a neatly balanced consortium of families would be packed in a series of rectangular "super-blocks," so designed that they would encounter each other "casually" as often as possible. At least that is the theory; in practice things might be rather different.

The Hook design remains, although only on paper, an interesting and significant achievement. It is doubly a pity that Hook is not being built, both because it is clearly needed and also because a start must be made with building towns for the motor age, on however experimental a basis. It will equally be a pity if the next lot of new towns simply ape Cumbernauld (Hook's Scottish parent) and the stillborn Hook design, without trying other and possibly homelier patterns of town development. The keynote of the new towns should be variety and experiment, and styles which improve on the unhappily disorderly level of popular taste without running to the other extreme of planned uniformity.

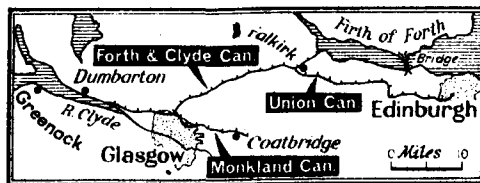
Antonine's Canal

FROM OUR SPECIAL CORRESPONDENT

IN its way, the Forth and Clyde canal provides a nice little parable: that is, for anyone who wants to live in a mildly efficient country. The canal still runs slap through the middle of Scotland as it has done since 1790—and ought to have been stopped from doing so a good many years ago. It is, in fact, an historical monument: it follows the wall of Antoninus Pius, a possible route was surveyed for it by James Watt in person in 1766, and William Symington's first experimental steamship, the *Charlotte Dundas*, was prevented from plying along it (an early restrictive practice) a full decade before Henry Bell dreamed up his *Comet*. The full importance of these remarkable occurrences must be appreciated from the outset; no possible discussion of the canal's fate can be attempted anywhere between the two estuaries it joins without one or all of these claims to fame being ponderously examined.

The partisans of the Forth and Clyde have defended it stoutly for nearly two centuries as the legions of the Antonine Wall would have expected of them; indeed for appreciably longer than Rome ever demanded of the legions. Even their last rearguard action this month has had a faintly classical ring. Over three years ago the Bowes committee recommended closure, a belated resolution which even the Glasgow city council (a doughty champion of the tramcar but not the canal boat) had reached some æons beforehand.

Now the Secretary of State for Scotland,



apologising for his hectic turn of speed, considers it "highly desirable" that navigation rights should cease on January 1, 1963, and has brought in a bill to that effect. While such importunate navigators as Mr Grant-Ferris (Nantwich—Con.) have reluctantly acceded to Mr Maclay's decision, it goes without saying that the second reading in the Commons was not accomplished without Mr William Baxter (West Stirlingshire—Lab.) rising to denounce so ill-considered a project when "with a little ingenuity" the Forth and Clyde "could be made to work effectively for the general good of Scotland."

It would need more ingenuity than Mr Baxter and his friends seem to appreciate. The motorist cannot dodge the canal unless he goes by train over the Forth Bridge or by ferry over the Clyde or at Queensferry (where the Forth road bridge is still building). There are 40 bridges over the canal's waters, and five roads go under it. Those bridges that swing open, jamming north-south traffic to accommodate something possibly as small as a holidaymaker's launch, have naturally to be maintained and manned. Three of them cost Glasgow over £10,000 a year; now a lot of them are in real danger of falling down in decay. Two new ones near Denny and Falkirk will cost £320,000 if they have to open for canal traffic, but only £20,000 if not. To replace the lot with modern opening bridges the taxpayer would have to stump up £2½ million.

At present the canal runs at a deficit

of £37,000 a year. This is, in effect, a concealed subsidy to the fishing industry and private yachtsmen (the only classes of mariner that use it): the one appreciable source of revenue is from supplying industrial water. The fishing-yachting lobby, although divided in its specific demands, is sufficiently strong for there to be serious local doubts over whether the Government would be trying to close the canal even now if it were not for the extra cost to its road programme. The supply of industrial water will, in any event, go on. Possibly some dinghy and rowing enthusiasts will continue to use part of the canal, as they do the now sealed-off Union canal which once linked the Forth and Clyde with Edinburgh; almost certainly children will go on being drowned, as they regularly are in the disused Monkland spur, unless some extensive filling-in (for a motorway) is done near Glasgow.

But the champions of the industrial past will fight on: the figures are as irrelevant to



Subsidy for yachtsmen

their minds as they are to the defenders of branch railways, dirty British coasters and dying coal pits. For them there is still the great strategic vision of a wider, more majestic waterway on which grand fleets (presumably Nato ones, for the Admiralty would not wear the idea even a century ago) will transfer from sea to sea; in fact a pocket submarine managed to do this on the Forth and Clyde some years back and set hopeful hearts a-pounding for twenty miles round. There is, too, the dream eternal of a barges' paradise which, under properly nationalised management, will finally expose the uneconomic folly of the internal combustion engine. There is even a consuming and expressive nostalgia for the little steamers that carried Sabbath-school outings

at the turn of the century when faiths (secular and spiritual) were still uncompromised.

Closing the canal to shipping will not, of course, end this romanticising: the navigators are already well off the ground, like the hovercraft, which has not come in time to save a heritage of waterways. But perhaps there is something to be said for the Forth and Clyde itself in the year of the Immigration Bill: it was, after all, the one great transport system of the industrial revolution that was actually built without Irish labour. As a monument it thereby possesses a native quality that the Euston Arch (for example) could never claim, and if it is indeed filled in and erased from the map we shall certainly need plenty of immigrants to do it.

Grammar School Grumbles

FROM A CORRESPONDENT



IN examination results, numbers of university entrants and the degrees that their pupils eventually achieve, the direct-grant grammar schools have a place of their own in English education: so much so that they are sometimes known as "brain factories" among Oxbridge dons. The 178 direct-grant grammar schools in England and Wales (there are 48 in Scotland) are financed partly by *per caput* grants from the state and partly from fees. Although the schools are governed independently of the local education authorities, LEA pupils who have passed their 11-plus examination take between 25 and 50 per cent of their places. This puts the schools in an anomalous position, for they are in neither the private nor the state sectors of education. Some, like Manchester Grammar School, the Perse and Haberdashers' Aske's, are household names, but all are acutely aware of the problems facing the grammar schools as a body.

The direct-grant schools invariably welcome their quota of 11-plus pupils. These "free-placers" are sometimes brighter than the fee-payers who have, nonetheless, passed the school's own entrance examination, and where competition for places is stiff the fee-payers may have had to pass their 11-plus at grammar school level. Yet there remains a small but cruel waste of talent among bright free-placers who leave before reaching the sixth form. Formerly the reason was the narrow outlook of some parents, particularly in the old industrial areas. Now high wages intensify the dislike of the school cap.

slight lack of academic prowess when a job is at stake.

Many members of staff at direct-grant schools do not believe that the public schools proper, with their fees of over £400, can possibly be incorporated in the state system, and some think that such schools are a blot on democracy. Yet there is a feeling that an extension of limited fee-paying would create a far greater parental interest in education. Fees at direct-grant schools are already assessed on a sliding scale depending on income, and as little as £5 a term is paid by some parents.

The abolition of the direct-grant schools, threatened by the Labour party, is now a major issue. The schools do leave an avenue of education open to children who may fail the 11-plus but whose parents, unable to afford public schools fees, do not want them to languish in secondary moderns. The best social argument for the schools is the number of these children who do manage to reach the university.

It has been a fundamental tenet of educational thought in England that secondary education should be according to the "age, aptitude and ability" of the pupil. The 11-plus is used to group children into the grammar, technical and modern schools. For long the *bête noire* of anxious parents, this method of selection no longer has the confidence of many secondary teachers. The 11-plus certainly measures potential ability in terms of intelligence quotients, but IQs give little or no indication of aptitudes. Thus the lower streams of grammar schools con-

Again, the results of many free-placers are disappointing in comparison with those of the fee-payers. Whether this is because the parents of fee-payers keep their children hard at the examination grindstone or whether it is because such homes provide a better atmosphere for learning is not certain. But a little polish in manner always makes up for a

tain boys of high ability who are little suited to academic courses. Even the largest grammar schools have few facilities for teaching the more technical subjects such as engineering and technical drawing, which require as much intelligence as Latin or German. In theory pupils in LEA schools can transfer from one type of school to another; in practice few transfers occur. Direct-grant schools have no facilities for transfer at all. Close and flexible co-operation between different schools is obviously needed.

EVEN without this problem, there have been many voices raised in criticism of the curriculum. Broadening it to avoid premature specialisation, which usually occurs when a boy is thirteen or fourteen, is certainly desirable. The Crowther Report advocated an intensive use of "minority time" to produce "numeracy" among sixth formers doing arts subjects and "literacy" in science sixths. Crowther seems to have made a considerable impact. A few schools are experimenting with the proposals of Mr A. D. C. Peterson of the Oxford Department of Education, who believes that sixth formers ought to be obliged to take at least one subject at "A" level across the barrier between arts and science. He suggests that four subjects be taken, one of which must be a language and another a science subject.

While the Peterson Plan attempts to counteract too much specialisation, the "Agreement to Broaden the Curriculum" initiated by the headmaster of Charterhouse supports study "in depth" but tries to make a reality of minority time. The ABC plan pledges schools to avoid premature specialisation and restricts the study of specialist subjects in the sixth form to no more than two-thirds of the timetable. About six hundred schools responded to this proposal. Fewer have signed the agreement, and a vocal resistance group claims that such a firm agreement inhibits the freedom of the headmaster to run his school as he thinks best. Other conservative voices cry "timetable difficulty" and feel that such experiments may lead to academic suicide as far as university entrance is concerned.

It is university entrance requirements and selection methods that hobble teaching in the sixth form and cause such over-intensive specialisation. The impact of Oxbridge, with its enormous prestige, is most important, but provincial universities echo this effect. Few efforts are made to steer the most promising sixth formers to Redbrick until they have been rejected by three or four Oxbridge colleges. The only exception to this is where Oxbridge does not offer an honours course in some specialised subject and candidates must look elsewhere. The hard fact remains that in this most competitive corner of English education university scholarships are as much a status symbol for the school as the television aerial and the family car for the parents.

LETTERS

Commonwealth Service

SIR—The article in your issue of November 25th, entitled "No Colonials Wanted," rightly draws attention to an important question which calls for searching public inquiry.

I was Governor of Western Nigeria for the six years immediately preceding independence. One of my saddest tasks was witnessing the break-up and dispersal of the Colonial Service, the members of which had done so much to bring that great country so successfully to nationhood. It was of them that at Nigeria's Independence celebrations the Prime Minister said: "We are grateful to the British officers whom we have known first as masters and then as leaders and finally as partners, but always as friends."

The Nigerian governments still needed many of them and wished to retain them, but on their own terms, that is provided some means could be devised whereby they were not held on the permanent establishment and did not compete with Africans for promotion posts; whereby they could be made available for just as long as they were required and could then be replaced by an African without all the trouble of compensation for loss of career. The obvious solution was a Commonwealth Service, a pool of trained and experienced staff, from which our own overseas missions could be staffed, from which staff could be lent to the countries which needed them, from which our aid to undeveloped countries in the form of expert staff could be given. But for reasons which were singularly unconvincing

this idea did not commend itself to the powers that be.

Many of the best of these officers sought a transfer to the Commonwealth Relations Service. But it is made almost as difficult for them to enter as the camel through the eye of the needle. An invidious distinction is drawn between Colonial Service officers and others from home-based services such as the Colonial Office. The former have first to pass a written examination, even though they may be of middle age and have spent many years in Africa. If successful they are then interviewed and placed in an order of merit. Finally, out of many candidates, a handful may be taken. For the Colonial Office candidates the process is a simple one of direct transfer. All concerned have been in HM's service for years and can be judged on their record. Reports on all aspects of their work and qualifications are available. Further reports can be called for if necessary. The examination is regarded by the officers not as an opportunity to qualify, but as a means of disqualifying them.

The reasons given officially for making so little use of the Colonial Service are that they are "tainted" with colonialism and that people who have been engaged in government are unsuitable for diplomatic or representative work. But few, if any, of the colonial candidates can have had any say or influence in the determination of British colonial policy. They were merely agents carrying it out. How is it that those from Whitehall, particularly the Colonial Office, who are far more likely to have some responsibility for colonial policy, are unsullied? Again, if ex-colonial officials are unsuitable because they have been engaged in government why are Whitehall officials more suitable? Some of those recently appointed to senior posts have even held high office in the Government!

There is clearly something fundamentally wrong with our system of recruitment and management in the public service if at a time when we are admittedly short of staff for senior posts overseas we make so little use of staff who have served with distinction overseas. Britain not only loses the services of many potentially valuable officers but into the bargain does them a grave injustice.—
Yours faithfully,
J. D. RANKINE
London, SW1

The Ruling Classes

SIR—May I, as an "obscure and wind-swept don from Redbrick" (or rather, "blackstone"), put my nose into the southern controversy about the social composition of the Administrative Class, which reappears in your number of December 9th. Manchester can now comment without any suspicion of "sour grapes," because in

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the 1961 competitions our ratio of successes to entries was just as high as that of Oxford and Cambridge. This was the first time we have achieved this, but we are not really frightened of the bogies of social snobbery or inferior academic standards, and we should be able to hold the position thus gained.

The trouble is that, try as we may, we are never likely to produce more than a small group of competitors. There are two reasons. The first is that Oxford, and to a slightly lesser degree Cambridge, still have the big battalions in the arts subjects from which competitors are largely drawn. Manchester and London, and also other civic universities, are predominantly scientific and professional, with a growing emphasis on the social sciences. Our honours schools in pure arts subjects are good but relatively small; it is not easy to sort the position out from UGC statistics, but probably the vast majority of English male graduates in such subjects as philosophy, classics, history, English and modern languages still come from Oxford and Cambridge. (There is a rather different problem about women arts graduates.)

The other difficulty is that it is hard to persuade our best people that they really want to be civil servants. Why should they bury themselves in London, in a career which has for them little glamour or excitement, when it is open to them to move into industry, large or small, if their interest lies that way, or to make their way as researchers and teachers if they are more academically inclined? It is very hard to break through this attitude; and this will become quite an important matter if, as the Committee on Scientific Manpower foresee, there is impending an overspill of able scientists, some of whom ought to be drawn into the administrative side of the Civil Service.

Incidentally, my impression is that for the Home Civil Service, as distinct from the Foreign Service, the grammar schools have in recent years gained enormously at the expense of the public boarding schools; perhaps once an able grammar school boy has been to Oxbridge he is more effectively detached from his roots and feels that he is already half-way to Whitehall.—Yours faithfully,
W. J. M. MACKENZIE
Department of Government,
Manchester University

Fabian Socialism

SIR—May I correct a misstatement in your review of "The story of Fabian Socialism" (December 9th). The Fabians did not "split," after Webb was elected to Parliament or at any other time. The New Fabian Research Bureau, to which I presume your reviewer is alluding, was founded in 1931, with the full goodwill of the Webbs, Henderson, Galton, and others of the Fabian Society's executive committee, as a quite small body of research workers. As it grew,

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and it became clear that it was in fact doing all the Fabian work that was being done, it amalgamated with the older society to the satisfaction of the members of both—many of whom were in fact the same persons. This is one of the reasons for the choice of title; the book is *not*, as anyone can see for himself, a history of the Fabian Society alone.—Yours faithfully,
London, NW11 MARGARET CCLE

Egypt

SIR—You mentioned in your article "Pyramid in the Fog" on November 11th that President Nasser's recent purges were initiated by his fear that the remnants of the old order in Egypt may copy their Syrian friends. But the Egyptian old order, who incidentally were very seldom the friends of their "Syrian friends," are as good as dead politically. I would suggest, rather, that President Nasser's recent moves were directed against the growing isolationist trend inside Egypt, which has gained momentum after the Syrian revolt and the failure of the UAR experiment. The desire for isolation from future political ties within the Asian Arab world is shared by many intellectuals, small business men and army officers in Egypt.

These elements belong to the post-revolution middle-class which emerged with the blessing of President Nasser; yet he is now finding it necessary, or, rather, essential for his continuance as the head of state in Egypt to purge some of the more active elements in that middle class. Any pre-revolutionary politicians held in the recent series of arrests were, in my opinion, arrested as show cases for local propaganda consumption. President Nasser has committed himself to the Pan-Arab cause to such an extent that he is compelled to curb the faintest voice of dissension.—Yours faithfully,
AHMAD CHALABI
Cambridge, Massachusetts

Capital Gains Tax

SIR—The studiously objective representations of Lord Ritchie as Chairman of the London Stock Exchange have caused me to re-read your recent article, "Trouble with Capital Gains." (November 11th.)

I suspect there is widespread agreement that adventitious income ought to be properly taxed. My doubt is whether the clanking machinery of a capital gains tax is the answer. On the advent of the season of goodwill, I present to the Chancellor and the Board of Inland Revenue the alternative of sumptuary legislation. Especially in the current context it is surely the outflow rather than the origin that matters. It had not occurred to me before that I should find myself in agreement with Mr Kaldor.—Yours faithfully,
JOHN SENTER
The Temple, EC4

BOOKS

Comprehensive Colleges?

The Democratic Intellect

By George Elder Davie.

Nelson for Edinburgh University. 372 pages 50s.

Scotland's Scientific Heritage

By A. G. Clement and R. H. S. Robertson. Oliver & Boyd. 151 pages. 18s.

IN these winter evenings, when the drone of donnish expostulation has died away, the Robbins committee ought to be sitting down to Dr Davie. He is provoking, opinionated and occasionally obscure, but he has something splendidly different to say about higher education. There is a point at which anyone seeking to resolve or modify the problems thrown up by the current British educational pattern must feel the implacable urge to break the mould altogether, only to reflect despairingly that no other traditional shape for the university career has come within the experience of English society. But there is (or, rather, has been) another tradition north of the border; it was not unfashionable in its day and it is not irrelevant now to the war of the Oxbridge succession.

Dr Davie's study of the prolonged, if unsuccessful, resistance to anglicisation offered by the Scottish universities in the last century is, in one sense, about a dim and distant world: the struggles of Hamilton, the Cairds, Forbes and Ferrier, the royal commissions and professorial elections that were their battlegrounds, are long dead. But this, too, happens to be a study in such modern issues as premature specialisation, the foundation year, the general versus the honours degree, lecturing and tutorial methods and, above all, social relevance. The educationalist who does not find Dr Davie illuminating and exciting has despaired of reform altogether. The picture that is sometimes drawn of the Scottish past can, of course, be almost impossibly idyllic. Here, for example, is King's College, Aberdeen, before the segregation of the specialists in 1892:

One entered and, allowing for wear and tear, one left college with the same body of students. But that united body included students of all degrees of excellence and variety of capacity, from the candidates for honours in all subjects in which honours could be taken—classics, mathematics, philosophy and the sciences—to the humblest aspirant to a pass degree. The fact that one was a candidate for honours did not separate him from the class. The work for honours was something additional, done entirely by private reading. . . .

Idyllic? One hears, and fears, the horrid protests: surely this is not the cultured academic life but the mere continuation of the schoolroom? It may be so, although

Dr Davie would answer that the extension of the school was, or could be, "under new conditions of ever-increasing freedom, self-determination and responsibility." The real point of the Scottish argument is that under the old system the student was compelled to broaden his approach not merely by the syllabus (with its philosophic content) but also by actual contact and emulation in the class. At the same time, the demand in sheer teaching capacity required of the individual professor confronted by this mixed audience was immeasurably greater, and to those who could respond to it essentially stimulating. It did not always work, and it worked less and less successfully as the Scottish philosophic tradition broke down. Even so, the nub of the modern problem can be glimpsed. In educational terms, this kind of broad, democratic experience is lacking in the life of the 9 to 5 university specialist; and while Oxbridge may profess to give opportunity for informal contact between specialisations, such an exchange does not take place, in practice, there either.

If one wishes to bring about even a single "democratic year" at the university, and then go on to provide specialisation for those who can benefit from it, it naturally requires radical changes in the established educational pattern. It means a different sixth form syllabus, not just a tinkering with minority time but the continuation of general education as such. It means a different examination structure, designed to uncover (in a modern cliché) new excellences: after all, the Scots were only disillusioned with their system when it meant bad results in the Civil Service and other competitive examinations from the mid-nineteenth century onwards—bad results, that is, in the peculiar Oxbridge sense of excellence. It could mean, as the Scottish system did (and does), that students enter college a year sooner, or even earlier, than under the present English practice; but is not the current social and psychological trend towards precisely such an earlier assumption of adult freedom and status? To compensate the specialists, the four-year university career would then have to become standard for the first degree.

This is the kind of speculation that a reading of Dr Davie induces. One's guess is that the existing pressure for university reform in this direction must become increasingly compelling as the expansion of higher education reveals the inadequacy of the Oxbridge mould for a swelling university population whose interests and needs will be general as much as particular. Meanwhile, Messrs Clement and Robertson offer us a little parable. Their concern is with the demonstrable decline of Scottish inventiveness since its palmy days up to 1870 and

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just after. They have some fear of racial decline (caused by emigration), but they also make a telling point about the old educational system that, by then, was beginning to pass away. The Scottish resistance to over-specialisation, and the emphasis on comprehension, are two good clues to the national success that led Barrie to exclaim: "There is no more impressive sight than a young Scotsman on the make." The idea is no longer genteel, but are the qualities so undesirable for the unacademic? German technologists, for example, have more than a smattering of general education.

No Hitler
Tojo and the Coming of the War
By Robert J. C. Butow.

Princeton University Press. London:
Oxford University Press. 584 pages. 80s.

GENERAL TOJO, in the cartoonists' tale of equivalents, was the Japanese Hitler. In fact he was nothing of the kind. He emerges from the pages of Professor Butow's new book as tough, humourless and decisive to be sure, but conventional and unimaginative, a model of assiduous sobriety. He had no grandiose visions, no charisma, no mass appeal; only an untroubled sense of purpose, a conviction of Japan's right—and his duty—to extend its civilising influence throughout Asia, a willingness to precipitate, if not to take, the big decisions. It was his combination of firmness and predictability that qualified him for his place in history—as the spokesman and executive agent of the military staff group that effectively made Japanese policy in the crucial days of 1940 and 1941.

There is not much material here for an exciting biography, and after a brief summary of Tojo's early career Professor Butow soon changes gear into the second half of his title. His account of the gradual crystallisation of the decision to go to war is as lucid and readable as one would expect from the author of "Japan's Decision to Surrender," and he has been at great pains to check the evidence gathered for the war crimes tribunal with more recent Japanese work and with the results of personal interviews and correspondence conducted on an impressive scale. (He has also used the Japanese versions of the tribunal's transcripts and shown how often difficulties of translation kept the prosecution and the defendants unwittingly talking at cross-purposes.) Previous accounts are amplified and corrected in many details, but there is no new thesis and we are presented with no new villains or heroes. The truth seems to be that there were none. No crucial clash of wills occurred, no firm stands were taken on fundamental policy aims; disagreements concerned methods or questions of timing; they were expressed in circumlocutions and usually patched up in the end. It is Professor Butow's skill that he conveys to the reader the participants' sense of the irreversibility of the train of events that led to war. What is lacking is enough of the

atmosphere of contemporary Tokyo to make it seem plausible that Japanese leaders could have seen their evolving policy as not only inevitable but also justified and also likely to succeed. From the other side of the Pacific that shift in values and perspective was perhaps too difficult to make.

In the last chapters we come back to Tojo again, now principal defendant at the Tokyo trials. Here he begins to come alive, and the author gives him fair credit for his composure and his straightforward readiness to accept responsibility—qualities that did something to retrieve his lost reputation among the Japanese people. His was not a death which anyone will much regret. On the other hand, it is difficult to see just what was gained by hanging him.

A British Legacy
The Indian Middle Classes
By B. B. Misra.

Oxford University Press for Royal Institute
of International Affairs. 447 pages. 45s.

THE Indian middle class is a creation of the British Raj. The previous regimes, and especially the Mughal Government, were admirably calculated to make the emergence of a middle class impossible. This is Professor Misra's fundamental theme, though he never states it blatantly but allows it to be inferred by the reader from the mass of facts and instances he presents so clearly.

Under the Mughals, property was unsafe, position always at the whim of the ruler. A noble was no sooner dead than his possessions were seized for the king. A merchant was always at the mercy of some local official's decision to create a monopoly for himself or a favourite. Some traces of a middle class grew up; there were the Persian-knowing revenue clerks, and a fairly prosperous mercantile community in Gujerat, but they were only traces; and much of what little there was disappeared in the anarchy of the eighteenth century.

The East India Company, by contrast, had an insatiable need for middle class people. Its factors needed local business men to act as agents; its offices required clerks; its armies needed contractors. Since it did not confiscate property at death, and even unofficial trade monopolies were quite temporary, a middle class soon grew up. Raja Ram Mohun Roy and the Tagores both founded their fortunes in the company's service. By the 1820s there were Indians in banking and the agency houses. The landlords created by the Permanent Settlement may have been useless to agriculture, but their children grew up accustomed to a middle-class standard of life and endlessly ready to enter middle-class occupations in order to be able to keep it up.

The next stage came with the spread of English education; first there was Raja Ram Mohun Roy's campaign; then Macaulay's famous minute (valid in the circumstances of the time, for all its offensiveness); then,

in the 1850s, the foundation of the universities.

From then on India's course was set. Power would go to those who acquired the modern skills through English; the pace at which power passed would be governed by the pace at which the skills were acquired. The pace was not at first very fast. In the 1880s, as Professor Misra's figures show, most of India's lawyers of any importance were still British, and virtually all the engineers and railway officials. Professional education, even in law, developed slowly; in medicine and engineering it was not adequate in quantity until the last few years. The Government often found it easier to recruit an Englishman ready trained for some new job than to provide training facilities for Indians; and some jobs it deliberately preferred to keep in British hands: there were very few Indians in the Indian Civil Service or among army officers before the 1920s.

Nevertheless, as the universities grew, as more and more Indians learned to be at home with modern techniques and knowledge, the middle class grew with them. By the early 1900s law had largely passed into Indian hands; it was the primacy of law that explained the dominance of lawyers among Congress politicians. But the other professions followed quickly enough, even to the atomic physicists who were the prestige group of the 1950s. There are two hundred and fifty times as many students in college today as there were a century ago, fifty times as many engineering graduates as only thirty years ago.

Parallel with the growth of a professional middle class has gone the growth of an Indian business class. It was already considerable in western India by 1900; the first world war gave it a great fillip; then came tariffs in the twenties; now, finally, there is economic planning. At first the entrepreneurial houses were few, and largely in cotton textiles. Now there are many, and they are spreading into everything; more and more they are using professional managers, and not just members of the family.

In the professions, in business, in government, India has now achieved its middle class and it is that middle class which runs the country and provides the ideas. Nobody has ever told the story of how this has happened as well as Professor Misra.

Far from Stagnant
Feudal Society
By Marc Bloch. Translated by L. A. Manyon.
Routledge. 519 pages. 50s.

THE appearance of an English translation gives the opportunity for a revaluation of a book which, on its first appearance in 1940, was praised as an outstanding work. As Professor Postan points out in his introduction, it must be seen both in conjunction with Bloch's earlier work on economic history and with the work on medieval intellectual ideas which his tragic death pre-

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vented him from writing—and, it might be added, with the work Bloch was planning on the great silent revolution in the European landscape between 1050 and 1250.

At first sight this is not an easy book for the English reader. The plan is difficult to grasp at first—it has nothing of the schematic rigidity of Ganshof's "Feudalism." There are no precise date limits: the author ranges freely between 800 and 1200 but concentrates mainly on the years 900-1100. It is only near the end of the book that he defines the sense in which he is using the much abused term "feudalism."

This is, however, significant: it is only after meticulously building up his picture of the mental climate of the period, of the changes in economic and class structure, of the fragmentation of authority and yet the survival within this society of the older forms of association—the family and the state—that he reveals the framework of the whole. Throughout the approach is dynamic: it is the picture of a changing society which should kill once and for all in anyone's mind the idea of feudal Europe as a stagnant period.

Coming back to this book one is struck by the sheer technical skill displayed. Every page contains generalisations to provoke thought, from the deceptively simple "the knight found in war yet another attraction: it offered a remedy for boredom" to the bold: "the fief . . . was—let us make no mistake about this—basically an economic concept." (One could wish most historians writing today would be prepared to be so courageously positive.) Then there is Bloch's honesty in admitting technical difficulties in handling sources and taking the reader into his confidence. Especially there is his use of little known detailed facts to illuminate the argument and stimulate the reader's imagination: the lofty remark of a German lord in a law-suit "any pen will do to recount anything whatsoever"; or the gloriously sick-type picture of home life conjured up by the thirty-one co-parceners who jointly owned and occupied the castle Gevaudan in 1251.

It is no criticism of Mr Manyon's painstaking and accurate translation to say that those who can will continue to use the French version. For Marc Bloch was not only an outstanding scholar, he was also a master of French prose. Probably only Sir Maurice Powicke could do justice to the quality of Bloch's style. Mr Manyon's decision to confine revision to a useful supplementary bibliography must also be approved; any other course would have marred what is above all a superb work of historical literature.

In a posthumous, unfinished essay Bloch wrote: "it is men that history seeks to grasp. Failing that it will be but an exercise in erudition." When the German occupying forces murdered Marc Bloch in 1944 they did not just kill the greatest historical writer since Ranke: there died also a great humanist scholar. This book is the perfect embodiment of Bloch's methods and of his ideals.

What is a Radical?

English Radicalism: The End?

By S. Maccoby.

Allen & Unwin. 640 pages. 70s.

CURRENT political commentators need study the radicals who are often noisily prominent in the history of Great Britain; for collecting their beliefs and careers may illuminate the interesting question of what a radical is. Can he any longer fairly be called, like Lilburne, a Leveller? Does he like John Wilkes believe in free love, or like Charles Fox in free speech, or like John Bright in free trade, or like Bernard Shaw in free intellect, or like George Lansbury in universal peace? How have his opinions been affected by the industrial and nuclear revolutions? Is "radical socialist" as much a contradiction in terms as "tory democrat"; or does it signify a genuine political reality? Can there be radical communists?

British history in the twenty-five years or so after the Liberal triumph in the general election of 1906 is of particular interest on this subject. In these years two great radical aims were achieved at last: universal suffrage was enacted, for men in 1918 and for women ten years later, and the hereditary House of Lords had its legislative wings decisively clipped. For the first time, an advanced radical was Chancellor of the Exchequer, and able to cram some radical legislation through the Treasury machine. For the first time for centuries England was engaged in total war, with all the opportunities that brings for radical re-appraisal and reforms. During that war, the radical Chancellor of the Exchequer became Prime Minister, with greater powers than even that office had ever commanded before, and chose as his closest assistant the most radical and incisive character among the Tory peers. After the war, for the first time the cabinet was formed from a party dedicated to the proposition that the country's entire social and economic system was ill-founded and in need of drastic revision. Again, for the first time a fully organised trade union movement engaged in the pitched industrial battle of a national general strike.

The last, or apparently the last, of Dr Maccoby's books on English radicalism looks at just this period; it sheds "no light, but rather darkness visible" on the questions just outlined, and has little important and nothing new to say on any of the radical triumphs and disasters of these years. Fourteen pages of "select bibliography" and a mass of footnotes suggest that this is a work of scholarship. But many of the notes are of negligible value—Whitaker's *Almanack* is not much of a source for the events of the Russian revolution—and the book list omits several studies of importance to the theme.

Two pages are devoted to the general strike, and the author seems to think radicalism may now be dead. He might try a visit to a CND meeting, where he will hear the heirs of Wilkes and Bright, Lansbury and Bevan, still in full voice.

The Union's Economy

South Africa

By Monica M. Cole.

Methuen. 726 pages. 84s.

THIS is a sober and unemotional survey of a complex and troubled country. After a proper and adequate introduction to the physical background of South African geography, the major portion of this massive book is devoted to the economy, and the closing section to regional description. Here set out in great detail we have the new economic pattern of South Africa, where the last twenty years have seen the parallel emergence of a new industrial structure and an explosive proletariat of urbanised Africans. The detail and length of treatment may even be excessive. At around 700 pages the point is surely approached beyond which a single writer cannot hope to put a personal stamp of unity and synthesis on a mass of rather disparate material. If a book is to be encyclopaedic, perhaps one might as well accept the fact and have the various sections written by individual specialists.

However, compiled as this book clearly is with a most obvious regard for comprehensiveness and accuracy, it is a most useful source of basic information on the South African economy. There is one huge and, no doubt, deliberate gap. In South Africa, the race situation dominates everything. It would be wrong to say that Dr Cole exactly ignores the racial situation; she most faithfully deals with the interactions between the racial divisions and the developments in land policy, industry and towns. But, perhaps inevitably in a book that will be used by people of all opinions as a quarry for facts, she avoids any distinct treatment of the racial problems as such. The word "race" does not even appear in the index, while the Tomlinson Report ranks one sentence only. For an understanding of South Africa, Dr Cole's book is an essential point of departure, but of departure only.

The Unlikely Rebellion

Rebels in Paradise: Indonesia's Civil War

By James Mossman.

Cape. 257 pages. 18s.

NO insurrection in recent times has been launched with such inconsequential optimism as this one. A small group of army colonels and politicians met in a Sumatran town in February, 1958, and proclaimed a revolutionary government of Indonesia. One of them was Dr Sjafrudin, who until then had been Governor of the Bank of Indonesia. He had brought with him his numerous family and several suitcases full of banknotes from the vaults of the bank. He was proclaimed premier of the revolutionary government.

Those of the military rebels who had considered the possibility of retaliatory action

by President Sukarno airily assumed that the invaders would be repulsed. In the event, when Sukarno sent his men, by sea and air, the operation was efficient and successful. The rebels offered no resistance and those who were not captured melted into jungle or mountain. In Celebes, in contrast, resistance was fierce, but there, too, the rebels lost their set battles and took to the bush, where they waged guerrilla warfare.

No attempt had been made to gain the support of the population in Java, the key to power in the Indonesian islands, where President Sukarno, a magnetic orator, easily retained his hold on the people. The initial failure of the rebellion was therefore not surprising. There followed a more protracted attempt to bring President Sukarno down by economic pressure. Dr Sumitro, Indonesia's best, and best-known, economist, took charge of the rebels' finances. Even before the proclamation of a revolutionary government, there had been smuggling on a large scale from Sumatra and Celebes into Singapore and other likely outlets. In some measure, this smuggling was an assertion of regional autonomy. Dr Sumitro, as the rebels' minister of commerce, organised this smuggling in the service of the revolutionary government.

In the early days, the American Central Intelligence Agency, impressed by the anti-communist professions of the rebels, had sent—or at least, facilitated the delivery of—aircraft and other military supplies. Failure, however, begat failure, and the assistance soon stopped. Driven desperate, the rebels formed an alliance with the terrorists of the fanatical Darul Islam movement, whose aim—the creation of an Islamic theocratic state—was offensive to most of these westernised and well-intentioned men. This summer, the rebel leaders, civil and military, started coming out of the jungle and surrendering, just in time for the publishers to distribute an epilogue of two paragraphs for insertion in the book.

James Mossman, who covered this unlikely civil war from both sides, has written a lively and informative account of it. He makes no pretence of scholarship, and indeed quotes only one source (a good one) throughout his book; but his standard of accuracy is high, and he is fair to both sides. This is important, for the rebels, though their actions were ill conceived, had genuine grievances. The spelling of Indonesian names has been westernised, on the whole sensibly, though with some inconsistencies.

OTHER BOOKS

STATISTICAL MEASURES OF CORPORATE BOND FINANCING SINCE 1900. By W. B. Hickman with E. T. Simpson. Princeton University Press, London: Oxford University Press. 612 pages. 72s.

POLITICS AND VISION. By Sheldon S. Wolin. Allen & Unwin. 539 pages. 36s.

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THE WORLD OVERSEAS

Too Many Hamlets

FROM OUR PARIS CORRESPONDENT

PARIS has provided spring weather in December for this week's diplomatic festival, one of the occasions when it can claim to be the diplomatic capital of the western world. The foreign ministers of the three principal western powers, joined by Herr Schröder, their new German colleague, started work on Monday. Two days later the discussions were enlarged to take in the representatives of the other eleven members of Nato's ministerial council. During that time, elsewhere in Paris, the Western European Union was holding its assembly. And the foreign ministers of the common market countries chose the end of the week to elaborate their plans for political union. But the German question dominated all the others.

Berlin über Alles was the main tune of this December festival. It was certainly not performed harmoniously. A judgment on the whole performance, however, must depend on what one believes the purpose of the Paris meeting to have been. Was it designed to elaborate—on the basis of previous work by the experts—a concrete platform for negotiations with the Russians in the near future? Was its purpose to obtain General de Gaulle's blessing for further probing in Moscow? Or was it all merely staged to preserve a semblance of allied unity, while the real decisions are taken in a smaller circle—at Bermuda, or in Washington itself—on the basis of the ambassadors' reports from Moscow?

In recent years western meetings in Paris have been described as attempts to see whether the allies could keep in step with General de Gaulle. Yet this image of fourteen eager negotiators foiled by a solitary stubborn Frenchman is much too simple. The German Chancellor's visit to Paris, on December 9th, with the object of persuading the general that he ought to appear in the east-west conference room, was a proper prelude to this week's exchanges. Dr Adenauer has never been suspected of particular fondness for talks with the Russians. The ambivalent attitude of the two continental partners illustrates the complexity of the problem.

Dr Adenauer knows where the real power lies within the alliance and, while trying to influence the policy of Washington, he has never questioned American leadership. General de Gaulle's vision of *grandeur* allows for no other leadership than his own; France, moreover, is less directly dependent on the United States than Germany is, and it can, therefore, obstruct more openly. The French distaste for negotiations with the Russians is, officially, justified by the fear that the inevitable concessions would cause disillusion in Germany and prepare the way for a German shift towards the Soviet orbit. A less charitable view is that the crisis suits the French President. It enables him to exhort his reluctant officers to address themselves to other duties than the Algerian war. It renders Germany more co-operative than Germany might otherwise be. But once the problem is shifted from procedure to substance, it is Germany that has more to fear in the actual negotiation. Dr Adenauer came to Paris last Saturday to persuade General de Gaulle of the truth of the French saying that the absent are always wrong, and to plead with him to attend an east-west conference, if only so that he could veto any deal distasteful to Bonn.

The argument apparently carried weight. But to judge by the further course of events, it proved insufficient to alter the French position. The ministerial meetings were shrouded in



Thinking too precisely: Lord Home, Mr Rusk, Dr Schröder, M. de Murville.

secrecy, but the differences in the moods of the various delegations could be easily perceived. The French press greeted Mr Khrushchev's speech before the World Federation of Trade Unions, Mr Menshikov's press conference in Washington and the Soviet demand for General Heusinger's extradition as heaven-sent proofs of the impossibility of negotiating with the Russians, proofs striking enough to open even Anglo-Saxon eyes. By Americans, these events were greeted much less dramatically as manoeuvres quite consistent with the present state of play when each side is jockeying for position. Naturally, it would have been preferable if the Russians simply accepted the western terms. There would then be no need for negotiation, since there would be no crisis over Berlin.

As if to emphasise French bad humour, on Tuesday M. Debré seized the opportunity of an oral question in the Senate to deliver an indictment of allied hesitation and incomprehension. He justified the need for an independent French deterrent, citing American conduct in the Suez crisis and in the Congo and contrasting, in general, French determination with allied softness. In the evening of the same day the four foreign ministers had to hold an extra session in order to produce fairly innocuous directives authorising "further exploratory talks." The French immediately claimed that there was nothing new in the mandate that allows the American ambassador in Moscow, helped by his British colleague, to go on probing Soviet intentions. In any case, the French would keep out of it. The British argued that the talks would now become more substantial; it all depends on what "substantial" means. And should the "explorers" succeed in finding a basis for negotiation, this week's unanswered question—whether France would join the conference—will be revived with a vengeance. The issue is the more disquieting since, once again, the four foreign ministers have apparently spent most of their time discussing whether to negotiate, not what is negotiable.

Having produced what looked like a compromise, the four ministers handed the matter over to the Nato council. Not that anybody expected that the additional pressure by, say, the Canadians or the Belgians would alter the French position. But in the Nato building, where military matters are often discussed, inter-allied controversy could be reduced to more real proportions. True, military questions were, on this occasion, pushed into the background by the Berlin debate. The problem of Nato's nuclear strike force (which many prefer to define as the question of how to turn Germany into a nuclear power) is not yet ripe. Experts are still arguing about the respective merits of a force based on land or on sea, and the time for decision will not come before the spring. But in a place where it is the custom to talk in nuclear

terms, it is easier to grasp that the most unyielding members are not necessarily, or not yet, those whose finger is on the important trigger. In the Soviet block the fiery Albanians have accused the Russians of cowardice and a weak deference to Western power. Each block, *mutatis mutandis*, has its own Albanians, whose intransigence is not quite matched by their might.

This week's meetings have not been all about Berlin. The Congo cast its shadow from the very start. The first, and probably crucial, meeting of the three foreign ministers, without their German colleague, was mainly devoted to Katanga. Then as London began its hesitation waltz and the lines got busy between Paris and the White House, rumours gained ground that the open Franco-Belgian hostility towards UN intervention, coupled with the British dislike of it, had proved stronger than the American backing. There was some rejoicing in many French quarters at the prospect of a new rebuff for that *Machin*, the "so-called" United Nations. But there were also more serious comments that foreshadowed the bankruptcy of the international organisation and deplored the new vistas opened up for Soviet influence in Africa.

"It would not be the first time"—was *Le Monde's* melancholy conclusion—"that big business has worked in favour of communism." It is at moments like this that the question is being asked whether western policy is doomed to be always reduced to its lowest common denominator. It is usually coupled with the warning that a Holy Alliance has less chance of lasting in the changing world of the twentieth century than it had in the past. So far, even when odd man out, General de Gaulle has shown great skill in reducing his allies to his own chosen pace. In 1959 he went on asking for proofs of Russian goodwill for so long that when he was finally convinced, the whole summit collapsed together with the U-2 plane. Mr Macmillan's meeting with Mr Kennedy at Bermuda next week might show whether Washington is still resigned to advancing at the gaullist pace, even if it involves the risk of Mr Khrushchev changing his mind by choice or under pressure. Until recently, suggestions that Mr Khrushchev was being accused of procrastination about Berlin by his communist critics had to be based largely on guesswork. Now the Albanians have publicly confirmed that the guess was right. Judgment on this diplomatic week in Paris must be suspended until it is clear what conclusions Washington has drawn from it. But Mr Khrushchev's willingness to postpone the Berlin crisis may vanish overnight, like the spring weather in Paris in December.

Threat to Diem

FROM OUR CORRESPONDENT LATELY IN SAIGON

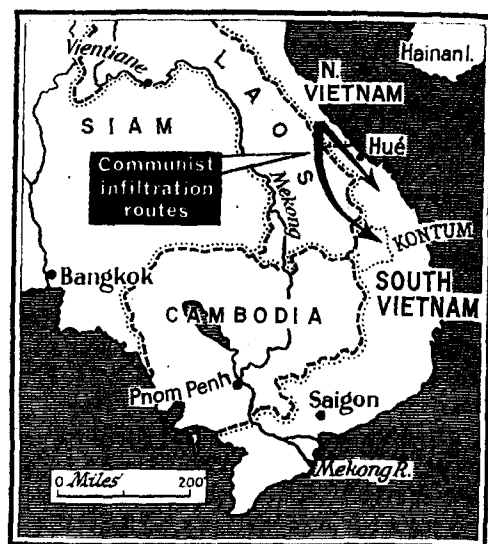
WITHOUT doubt, the threat to the Diem government continues to deepen and darken as the communist guerrillas and regular North Vietnam army units, still firmly holding the initiative, pass confidently down the central highlands and fan out to the coast. On war maps, shaded areas of guerrilla "influence" indicate more than twenty zones of anti-Diem "liberation." One says "anti-Diem" because only a proportion of the inhabitants of these so-called "militarily insecure" areas are pro-communist ideologically; most, indifferent to either side, wish merely to avoid having their throats cut.

Approximately a thousand are killed on both sides in an average of 250 skirmishes or clashes every month. A large and swelling penetration bulge in the wild jungles of Kontum, halfway between Saigon and the artificial northern frontier, with unhindered access to Laos, could well become the territorial area for an "independent state" inside South Vietnam. Conservative American estimates agree that the build-up of the phantom invasion has doubled since the Laotian cease-fire. Significantly, the spearhead of communist aggression has shifted from the southern delta area to the north.

In Saigon, the pavement cafés in the tree-lined streets buzz with

defeatist talk and gossip about the latest speculations and investments of the Diem family. However scurrilous and exaggerated this gossip, it is perhaps injudicious of His Grace the Archbishop, who is one of the president's brothers, to persist so doggedly in investments in Saigon real estate on behalf of his diocese. The once popular Saigon trek to the fashionable beaches at Cap St Jacques has trickled away because of the hazards of the journey. Seaside villas are deserted. The parents of children in the exclusive convent at the sacrosanct resort of Dalat are receiving kidnap warnings.

No one knows how much pressure has been exerted by the Americans on the president to secure army, administrative and economic reforms as the price of increased American aid. The curious recent spurts of anti-American propaganda in Saigon's controlled press probably reflected angry quirks of resentment



against this pressure by the president's most powerful brother, Ngo Dinh Nhu. Nor is there any hard evidence that the Americans have pressed, even delicately, for the removal of any of President Diem's ubiquitous and unpopular relatives. Certainly this would seem, in any event, to be a futile and doomed aspiration at the moment. The visiting reporter must testify also that, in the face of the general deterioration, some objective diplomats in Saigon, who were hot for parliamentary reform and a democratic opposition a year ago, now argue that these changes should take a lower priority than more energetic military action and more active aid and comfort for the villages.

The nearer the loyalist troops are to the guerrillas and the busier they are in flushing them out, the higher morale tends to be. But there still seems to be a wasteful and useless concentration on digging-in, and on consolidating howitzer emplacements on mountain peaks, around which the guerrillas now gratefully slip. The evacuation of vulnerable villagers—especially the primitive, G-string dressed *montagnards*—to safer settlement areas is being speeded up, and belatedly tough groups of American-trained Rangers are being sent into the jungle to live off the country and meet the enemy on level terms. But the operational period of these aggressive patrols is still limited to less than one week; it should be increased to a month or more.

The American military advisers are bracing themselves for the pending delivery of the vital rice harvest. Normally the rice deliveries from the delta area in the south are spread evenly over the March-September period; the current harvest, it has been ordered, must be rushed to Saigon by the end of March. On all the evidence, the Viet Cong (communist) forces are preparing to harass and sabotage this emergency harvest movement and to take full advantage of the transfer of the thinly-spread troops from villages to convoy duty.

The basic tasks in South Vietnam, as they were in Malaya, are to protect the people and to convince them that their interests and welfare lie with the anti-communist forces. The second task, of course, is economic and political, rather than military. The conviction is still receding in South Vietnam.

Commonwealth Approaches

FROM OUR BRUSSELS CORRESPONDENT

WHAT was planned as a two-day meeting last weekend between Mr Heath and the ministers of the Six finished, in fact, at the end of the first day. Within that time the ministers managed to find mutually acceptable solutions to the difficulties of principle their deputies had encountered, and so were able to instruct the latter, and the working parties, to continue the marshalling of facts on certain agreed new lines: by common consent, the inevitable protracted ministerial debate is not to begin until the total statistical picture has been clarified and made more complete.

One difficulty had been that in the meetings of deputies the British delegation had felt unable to authorise a study of the effects on Commonwealth imports of a gradual British adoption of the common external tariff: on Friday Mr Heath announced that he had no objection to a hypothetical study of this subject, provided it was understood to be purely exploratory and not to imply any pre-judgment of the outcome of negotiations between the ministers.

The second difficulty had arisen because Britain wished to study Commonwealth problems on a regional basis, trying out the possibility of association with the common market before discussing individual products, while the Six had wished to do exactly the reverse. In fact, both approaches in some degree involve each other, as both negotiating teams had found, and there was general relief among them, at the deputies' meeting earlier in the week, when M. Jean François Deniau, leader of the commission delegation, suggested a middle way.

His proposal was discussed and approved both by the Six and by the British delegation, and was put up to the ministers on December 8th. It would divide Commonwealth problems into four categories, classified according to the principal export products of the countries concerned: 1. Those countries whose exports might be harmed by the application of the common external tariff. 2. Those producing goods similar to the exports of the states (mainly African) at present associated with the community. 3. Those (like Australia and New Zealand) whose exports will be affected by the community's common agricultural policy. 4. Those that do not fall into any of the previous categories—for example, those whose economies depend on their being free ports, or transit areas, or military bases.

THE shortcomings of this kind of classification were acknowledged by all, including the commission's speaker, when the proposal was set before the ministers. It was recognised, for instance, that the categories might need to be re-defined or increased in number as work proceeds: that they would not indicate the fact that some products might be more essential to an area than their modest output might imply. Countries depending on entrepot trade might find such dependence insufficiently brought out; nor could possibilities of expansion be reflected in figures of existing trade. By concentrating purely on trade figures as it does, this method leaves out of account all political or other non-economic factors, and tends to emphasise problems rather than possible advantages either to the Six or to the Commonwealth.

Despite its recognised limitations, the Deniau proposal was agreed on all sides to represent a useful synthesis of the "by country" and "by product" approaches. It should enable ministers to see some shape in the mass of statistics that is diligently being accumulated, and which might otherwise begin to seem dauntingly impenetrable (it is easier to find one's way about in a timber-yard than in a forest, even if the log-piles overlap, one minister remarked). So at the end of the day the working parties

were sent back to their statistics. The ministers' deputies are to meet again on December 19th and 20th as well as on January 9th and 10th, when they will draw up a report for the next ministerial meeting, tentatively arranged for January 18th.

On the morning after the meeting Mr Heath saw representatives of the European Free Trade Association and later completed his visit by a long session with Commonwealth diplomats in Brussels—a meeting that, in spite of a press report to the contrary, they themselves later described as harmonious and satisfactory.

CONGO COMPLEXITIES

Report from an Uncountry

FROM OUR SPECIAL CORRESPONDENT

LEOPOLDVILLE

THE events around Elizabethville seem less dramatic here than they did a week ago in Europe. The Katanga question has provoked a minor student demonstration against Mr Macmillan, General de Gaulle and Dr Salazar (the Congolese government is paying for the British broken windows, windscreens and slashed tyres). But Mr Tshombe, in the eyes of Mr Adoula and General Mobutu, is really no more of a "secessionist" than Mr Gizenga. Everyone knows that the Republic of the Congo, far from being unifiable in any current constitutional sense, can develop harmoniously only if it is first subdivided into twelve or fourteen compartments, instead of the present ex-Belgian six—already there are two *de facto* Katangas, two Kasais and a serious split in the Equatorial province. The intelligible African fact is that King Leopold II's former estate is the scene of an experiment in, usually gentle, anarchy which would have delighted Bakunin. Africa will "jell" in its own good time. Just now it is liquid.

The Congo has now definitely replaced Ethiopia as the world's leading surrealist country. It is the place where the American ambassador found an alligator in his garage, where two more (alligators, not ambassadors) swam into the Congo-flooded generating plant at Stanleyville, where yet a fourth is believed to have eaten the west German ambassador in November (he was wading near the bank with a tow-rope; nothing of him was seen again but his panama hat). It is the country with no budget, which has lost between 50 and 75 per cent of its exports but has had only a 30 per cent inflation. It is the territory where 80 per cent of government expenditure is on the large salaries of civil and military officials, and where the Leopoldville working class, or rather the 60 per cent of it that still has employment, is earning what it did when the Congo was Africa's richest colony.

The essence of this low-tension equatorial anarchy is the mutual toleration of most of the politicians. The two odd men out have been the late Mr Lumumba, and to a lesser degree Mr Gizenga. The first wished to galvanise the *jeunesse* and use it to smash the Congolese notables. General Mobutu, who looks like nothing so much as an African Hamlet, broke Mr Lumumba, and the *jeunesse* of Leo has never recovered from the hammering it received from General Mobutu's troops. Mr Gizenga, now titular vice-premier, is by no means done with. His is an evasive genius and he is patient enough to await his moment. His power is the more remarkable because as an orator he is negligible. His speech of November 25th on Stanleyville radio was, perhaps, a landmark: in it he denounced prime minister Adoula and all his works, invoked the ghost of Lumumba, and called on all Congolese soldiers to follow him in an attack against Mr Tshombe. Mr Gizenga's main grudge is that Mr Adoula has not given the ministry of defence to a Lumumbist. In revenge, Mr Gizenga's General Lundula has withdrawn his agreement to serve under Mobutu. Mr Gizenga also demanded a new constitution, a new capital, and the removal of

the UN from the Congo. Nobody is known to have rushed to his colours yet.

Most European analysts here, who have "thought themselves in" after a year's practice, agree that Mr Tshombe's Katanga needs to be, in some sense, reduced. This is symbolically necessary even if it is objectively impossible, for the loss of Katanga has become an alibi for the Leopoldville establishment. So long as Mr Tshombe insists on his present type of separatism, Leopoldville will maintain that no constructive effort in any other sphere is worth while. This does not mean, of course, that Leopoldville is squarely behind the UN. The UN is a convenience which may, or may not, sire a favourable turn to Congolese events. Somehow it may bring back the lost revenues of Katanga. At the same time the UN is criticised harshly. Mr Justin Bomboko, the foreign minister, has signed an agreement with U Thant whereby all UN personnel receive diplomatic status; "18,000 diplomats more!" is the headline of this week's *Présence Congolaise*.

The trouble is that the Congo Republic is being administered, if that is the word, by three distinct semi-entities: the Central Government (situated on the territory's extreme north-western tip), the United Nations, which is a kind of roving interference-machine, and the Belgian auxiliaries. The latter, who when they are paid at all receive about a quarter of the UN remuneration, have never recovered from the abrupt independence scuttle. Now the Belgians lack the necessary moral impact on the Congolese, which would enable them to mould events. An exception is the railway, for which some 300 new Belgians have been recruited in Brussels by Mr Tamba, the Congolese director, against the advice of the UN. The other exception is, of course, Lovanium university. It is now widely argued that the time has come when the Belgian administrators can take their place in the UN civilian services.

The Congo seems to hold lessons for Kenya and other places in Africa where disorders will certainly happen. One lesson is not to become involved in military operations in pursuit of juridical unity on behalf of an African government. This sort of action can hardly have lasting results, for it remains for public opinion an alien manoeuvre. Secondly, it violates African feelings of propriety which presumably require African antagonists to face each other unattended by outside umpires. If there were cruel tyrants to be crushed, the matter might be otherwise. But neither Tshombe nor Gizenga seem to be such. The real tyrant in the Congo is the armed undisciplined soldier who has nothing to do with politics.

Digesting Mr Tshombe

FROM OUR SPECIAL CORRESPONDENT

By Wednesday Leopoldville knew that the UN had captured the highest building in Elisabethville; an Ethiopian battalion had been flown in; and Ghanaian and Tunisian troops were on their way. This suggests that within the next week Mr Tshombe will be forced to negotiate. The United Nations says that the command of the Katangan gendarmerie has passed out of Mr Tshombe's political control and into the hands of the mercenaries. This seems unlikely. It is much more likely, now that the UN has defended its position in Katanga, that there will be direct negotiation between Mr Tshombe and the central government. Mr Justin Bomboko, the Congolese foreign minister, left Brussels on Monday after saying that his government was, as always, ready to talk to Mr Tshombe.

Angry remarks have been made here about Mr Tshombe's character and associations, but one has the impression that ever since the conference at Coquilhatville the moderates now to be found in Mr Adoula's coalition government have not wanted to destroy Mr Tshombe as a political figure. This would be normal

in Africa, where politicians do not take their mutual detestations as seriously as elsewhere. Mr Lumumba's downfall was the result of his dictatorial spirit. Neither the central government nor the main newspaper, *Le Courier d'Afrique*, has been violent about Katanga during the past week. Mr Adoula has been silent, apart from the formal communiqué he has issued jointly with the UN explaining that their common objective is the removal of foreign mercenaries.



Street scene in Elisabethville

Mr Gizenga in Stanleyville has made all the running. The town has been without light or electricity, because the Congo river has been in flood. Mr Gizenga has conferred by candlelight with his Yugoslav adviser, Mr Pavlovic. Mr Gizenga represents the Congolese revolutionaries. He knows that if Mr Adoula can win credit for getting Katanga back, he himself will lose face.

The Leopoldville ministers, especially Mr Gbenye, the minister of the interior, are shrewd enough to realise that they cannot dislodge Mr Tshombe. They are not certain that the UN can, either. They hope it can, but they are not anxious to be too closely associated with the UN's military campaign. This is seen by the Congolese as an engagement between two groups of non-African mercenaries.

The whole concept of the unity of the Congo raises but a faint cheer among regional politicians. It is still a matter of discussion in the Leopoldville press. One recent headline in a weekly newspaper was "Confederation does not mean Secession." The slogan seems to be, "Back to Tananarive," where a confederation was agreed with Mr Tshombe. If only Mr Tshombe can be quickly brought in, it is argued, the *loi fondamentale* can be changed, a new constitution introduced, and the provincial boundaries redrawn. The six Belgian boundaries correspond to no ethnic or other communities in an Africanised Congo.

Both Mr Adoula and Dr Linner fear that the economy will collapse before unity is restored. It was set on the downward slope by the 480 per cent increase in soldiers' pay, and the 380 per cent, 115 per cent and 93 per cent increases secured by members of parliament, state workers and civil servants respectively. Now workers in private industry are belatedly joining in the scramble. The loss of Katanga meant the loss of half the Congo's foreign exchange earnings. The economies of Mr Gizenga's Orientale province and of Kivu province have virtually seceded from the rest of the economy. The Orientale administration has been debiting the central treasury (as it has the right to do) with all of its astronomical public expenditure. On the other hand, it has not credited it with the province's tax receipts. Now Stanleyville has run out of bank notes, with the result that Mr Gizenga's army is displeased.

Only Katanga and the Leopoldville province have maintained production at something like the pre-independence level. The important plantations, notably the producers of palm oil, are run-

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ning at a loss, because of the departure of the managements, the loss of labourers and intimidation by the local army. There can be no central control of the economy, even assuming that non-Congolese administrators can be found, until the Katanga question is decided; nor can there be any question of foreign aid except in the form of direct budgetary subventions or gifts.

The Congolese are much more literate than, say, the Tanganyikans and they have received much more technical training. What is lacking is any conception of the state, or of the objects of politics. At present this administrative void shows no sign of being filled. In a sense the Republic of the Congo, having been a kind of Belgian alter-ego, is strongly connected to Europe. The simultaneous departure of the government and the administration, an event unique in Africa outside Guinea, has made it look like a European country evacuated by the bourgeoisie under threat of fire, sword or pestilence. It will be some time before the Belgians—40 per cent of the pre-independence population—who remained or have returned find their place in the new Congo. The government is half-anxious to re-engage Belgians, but politically it is too soon to take many. It seems that the United States, which has not only paid for nearly all of the UN operation, but also kept the economy afloat, will have to carry the Congo for some time. President Kennedy's Congo policy has been consistently distinguished by its unobtrusive efficacy. Britain's can hardly have appeared as anything but petty interference.

Seen from Brussels

FROM OUR BRUSSELS CORRESPONDENT

OPENING almost any Belgian newspaper these days, one gets a first impression that the whole country is one big Katanga lobby. Condemnation of the present United Nations action is practically universal: even the Socialists—who, like the British Labour party, habitually back the United Nations—have become so embarrassed about the Katanga "war" that to avoid discussing it their press has been driven to such desperate devices as exclusive interviews with a reluctant prime minister on the future of space travel.

Perhaps the most dismayed Socialist of all has been the foreign minister, who is also in charge of African affairs, M. Paul-Henri Spaak. For months M. Spaak has been fighting in defence of his Congo policy against open and strongly expressed hostility from his Catholic and Liberal critics, and with not over-warm support from the Socialist benches. Some of the objection to M. Spaak, including that from his own party, rests on personal grounds. As first president of the United Nations assembly, drafter of the common market's Rome treaty and former secretary-general of Nato, he is the leading Belgian statesman of established international reputation; this has caused some resentment among parliamentarians, who too often limit their sights to the Flemish-Walloon frontier. Ironically, now that M. Spaak's Congo policy seems to be in ashes, the country has belatedly approved it; on Tuesday he was applauded by all parties in the Chamber when he described what line he had taken in recent months. Now, retrospectively, M. Spaak's critics seem to see virtue in the policy of moderation on which they have been pouring scorn for months, if only because M. Spaak's clearly expressed, though unpopular, loyalty to the UN has established his right to speak sharply to it now. As one anti-Socialist Belgian put it, the public realises that in M. Spaak it has had a leader.

Briefly, the attempt that M. Spaak has made since he took office at the beginning of May has been quietly to heal the breach between Belgium and the UN, and especially to aid the UN effort to reconcile Katanga with the central government in Leopoldville.

The quietness of his methods has been criticised; but as he no doubt explained to his friend, the late Mr Hammarskjöld, when the two last met in Geneva on July 12th, the government could not carry the nation with it in any abrupt *volte face*. The public at home was convinced that Mr Hammarskjöld was the nearest thing to the devil that they had seen since Patrice Lumumba. And as for Katanga, most of the Belgians there were infected with an extremism like that of the Europeans in Algeria: a high proportion of them are openly anti-UN and anti-Brussels, and have no intention of obeying unwelcome directives from the home government. Their defiance of Belgium has been encouraged by Mr Tshombe, who expelled M. Spaak's envoy, M. Muller, after he arrived in Elisabethville on July 7th to explain the new policy to the Belgians there.

The removal of military and political advisers required by the Security Council was bound to be difficult: but at M. Spaak's request Mr Hammarskjöld supplied a full list of these advisers. They were eventually removed, as M. Spaak told the Security Council on November 15th. But in fact only the less extremist among them appear to have come home: the rest found their way back to Katanga, where Mr Tshombe was happy to use their services. The loss of their passports decreed by the Belgian government has not so far seemed to make an appreciable difference to them.

Mr Justin Bomboko, foreign minister of the Leopoldville government, told the UN in November that all the Katanga whites were accomplices in Katanga's secession; but as M. Spaak observed, this statement was completely unprovable and risked provoking a *chasse aux blancs*, the kind of man-hunt that might lead to innumerable tragedies like that of the thirteen Italian airmen who were murdered at Kindu. The only sane way to meet the problem, according to M. Spaak, was to seek by every possible means to reconcile Messrs Tshombe and Adoula. He had done all in his power to foster the UN attempts at conciliation, and until about ten days ago was still optimistic; but the latest UN action was, he told Parliament, "completely inadmissible." There was, he added, no juridical or moral basis for war operations, which far exceeded the rights of legitimate defence against provocation.

M. Spaak repeated to the Chamber on Tuesday that as between Elisabethville and Leopoldville he would back Leopoldville. The first time he had made this open statement, in New York, there was uproar in Belgium; but this week it was received quietly, and it is expected that diplomatic relations will soon be re-established between Brussels and Leopoldville. Obviously Belgium will be better able to look after its citizens there (and less dependent on UN protection for them) if it is once more able to open its embassy and consulates. This step may also smooth out another anomaly that the Belgian government finds difficult to explain to the home taxpayer: Belgium continues, in accordance with the unrati-

EIU Quarterly Economic Reviews

covering 57 countries or groups of countries

Out this week:

MEXICO

The government has taken measures to improve the terms of trade by encouraging Mexican manufacturers to export. These measures are detailed, and their chances of success—particularly in the context of the Latin American Free Trade area—are assessed in some detail. The policy which assigns a minority role to foreign capital in joint enterprises is likely to be continued: the review notes developments in both industry and infrastructure against a background of continuing monetary stability.

Further details from:

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treaty of friendship and assistance, to pay a third of the salaries of all Belgian nationals working in the service of the nominally unified Congolese state. On October 1st this year there were 2,117 of these, including more than 1,000 teachers, 92 doctors and a number of administrators, engineers and agricultural experts. They also receive \$400 a month in Belgian francs as "danger money"; their family allowances, their future pensions, and the pensions of all retired Congolese state servants are paid by the Belgian treasury, which also backs the Congolese national debt to the extent of \$17 million. This year 1,085 Congolese students are studying at universities and colleges in Belgium. All this "technical assistance" has cost Belgium some \$2 million this year and will cost \$1 million more in 1962—a sizeable expenditure for a small country that is itself grappling with austerity problems.

Why does Belgium continue to do this? "A little bit from habit," an official of the former African affairs ministry told your correspondent—and also because Belgian private savings in the Congo still exceed \$3 billion. It is a sign that Belgium still hopes to retain friendly links with the Congo when the present nightmare is over. After all, the Belgians were proud of their work there and regarded it as a world showpiece of benevolent, if admittedly paternalist, government. That is why Belgians feel deeply about the present shambles, quite apart from their frustrated despair at being everybody's scapegoat, and, latterly, their astonishment at the United States, whose attitude, they feel, threatens to break the western alliance. Knowing the Congo as they do, the Belgians are convinced the UN "war" cannot possibly give quick success: guerrilla fighting could continue in the bush for years, with a UN victory always just round the corner like Governor Lacoste's "final quarter of an hour" in Algeria. In the meantime they see life becoming again as primitive for the Congolese as it was before Livingstone and Stanley ever arrived, with the installations of the Union Minière, the Otraco, and the other companies in ruins. In the Belgian view, it makes no sense at all from any point of view for the UN to destroy the goose that lays the copper eggs.

Ireland and the Congo

BY OUR SPECIAL CORRESPONDENT

DR CONOR CRUISE O'BRIEN has given Dublin its best talking point for a generation, and its not exactly reticent citizens are making the most of it. International affairs fascinate the Irish, whose own tiny stage is insufficient to absorb their attention and their insatiable capacity for speculation. Dr O'Brien played a major part in shaping the new, outward-looking foreign policy that Ireland has pursued since its admission to the United Nations in 1955. In the United Nations its status as a small nation, which had hitherto limited its international role, became an actual advantage. Ireland has consistently followed a policy of non-alignment. As recently as December 4th the Irish scored a fresh triumph when their motion, calling on the nuclear powers to limit the spread of atomic weapons and on the non-nuclear ones to refrain from developing them, was passed unanimously by the General Assembly.

Apart from his share in creating Ireland's new look, Dr O'Brien is a man of unusual depth and complexity whose different talents and careers make him difficult to classify. The Anglo-Saxon may be puzzled and therefore irritated by a polymath, but the Celt is not. In Ireland, where talent is hardly thick upon the ground, to be good at more than one thing is a positive recommendation. Free thinking, liberal, with left-wing tendencies, Dr O'Brien may seem a curious hero for Catholic Ireland, but most Irish heroes have been unorthodox.

By resigning, Dr O'Brien was able to make his attack on the British Government in an especially personal and dramatic form. Had he remained an Irish diplomat it can be surmised that the same points would have been made in an infinitely more discreet and muffled way by his chief, Mr Aiken, with whom he enjoys a very close and friendly relationship. As it is, the violence of his attacks has not only dismayed the Irish foreign ministry by its lack of diplomatic form, but seriously embarrassed the government. Mr Lemass may be genuinely concerned about the Congo, but he is also intent on fostering good relations with Britain and France and so facilitating the entry of Ireland into the European common market. He has endeavoured to extricate himself by insisting that everything Dr O'Brien has said or done has been either in the service of the United Nations or as a private individual.

Irish policy is unlikely to be changed as a result of Dr O'Brien's utterances, at any rate for the moment. Backing up the United Nations has the approval of all parties, and the UN policy in the Congo is also generally supported. Most people accept Dr O'Brien's



At New York: U Thant, Gen. McKeown, Dr O'Brien

accusations against the Union Minière, and suspect that he is probably right about the British Government, too. The Irish government does, however, have its critics. Two members of the Dail, Dr Noel Browne (champion of the Irish health service and alleged martyr of the Irish bishops) and Mr McQuillan, have declared their opposition to any Irish role in the Congo. Ironically, they have also been—by dint of an aggressive exploitation of the procedures of debate—the champions of Dr O'Brien in the Dail.

Yet if they had their way all, and not only part of, what Dr O'Brien stands for would be destroyed. Another source of criticism is from those who regard Katanga as a model Christian state being crushed on behalf of the communist rest of the Congo, aided by the pinks in the United Nations and at Iveagh House. In the state, Senator Quillan of Cork, and in the Church, Dr Brown, Bishop of Galway, have been the principal exponents of this view. Neither is exactly representative. Where this motley assortment of eccentrics could acquire influence is if things began to go really badly for the Irish troops in the Congo. What happened at Jadotville in September is already felt as something of a national humiliation, and if there were a massacre of Irish troops, then the cry of "bring back the boys" might be raised. Dr O'Brien's accusations could then be brought in as evidence of the "dirty" nature of the whole business, from which Ireland would be better off disengaged.

Any anti-British cause has built-in support in Ireland. Dr O'Brien is also helped by the Irish sporting instinct. People see him as a brave, comparatively young David taking on the two old ogres, Macmillan and de Gaulle. Whether Ireland will be able to find a place for him when all the shouting has died down is another matter. The personal tragedy lies precisely in that. With the foreign service ruled out, it is difficult to see what future Ireland can offer this militant and brilliant public servant.

THIS IS JOHN CHRISTIAN



John Christian, Chief Magistrate of Pitcairn. He wrote the letter.

THIS IS JOHN CHRISTIAN. Direct descendant of Fletcher Christian, Fletcher Christian, acting mate of His Majesty's Armed Vessel 'Bounty,' the most famous mutineer in the world. Christian of Pitcairn.

And this man is Christian of Pitcairn, too, Chief Magistrate of the Pitcairn Islands, that remote mutiny-inspired settlement lost in the mid-immensity of the vast Pacific Ocean.

Today, Pitcairn is a peaceful place. A place of sun and sea and easy living. But still a place not without its problems.

CHRISTIAN WRITES A LETTER

Which is why, on Sunday, 20th November, 1960, John Christian sits down to write a letter. A letter on behalf of each of Pitcairn's 126 inhabitants.

A letter to British Petroleum in London.

'Fuel supplies on the Island are far from satisfactory,' he says.

'Will your company give consideration to this problem? Could your ships bring our year's supply?'

It's not a large supply. About £300 worth in fact.

But British Petroleum believes that people, and their problems, matter.

ATTENTION BRITISH CURLEW

So, the 15,000 ton BP Tanker *British Curlew* is diverted from the regular New Zealand run. She anchors off Bounty Bay. And through heavy surf, whale boats ferry ashore the 10 and 12½ gallon drums of Pitcairn's fuel supplies. Paraffin for lighting; Diesel for the Island's generating plant; petrol; Energol lubricating oils.

Thanks to BP the Island is re-fuelled again.



BRITISH PETROLEUM



The drums of BP products come ashore.



Christian fills his paraffin lamp. Thanks to BP.

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.

Progress on the Latin Alliance

FROM AN AMERICAN CORRESPONDENT RECENTLY IN SOUTH AMERICA

MR KENNEDY'S sortie this weekend to Puerto Rico and the northern shoulder of South America marks the official moving into high gear of that complex effort at economic and social face-lifting which is called the Alliance for Progress. His trip celebrates the start of an experiment which will, if all goes well, link the Latin American countries with the United States and also with each other for their mutual benefit. The names of the nine high-level experts who are to help to put the provisions of the Punta del Este charter to work have been announced and the American charged with responsibility for the Washington end of the co-operative web—Mr Moscoso—is travelling in Mr Kennedy's party. That the journey starts with Puerto Rico, where Mr Moscoso gained his experience in putting a country on its economic and social feet, and continues to Venezuela, where he has served as American Ambassador, suggests that the chosen prototype of the Alliance is not the Marshall Plan with its European overtones, but the Puerto Rican Operation Bootstrap, which is entirely of the western hemisphere. That was successful on a small scale. It remains to be seen how well its lessons are applicable on an international one and without Puerto Rico's special advantages.

The differences are important. Operation Bootstrap, which raised the average annual income a head on the island from \$121 to \$600 in a decade, was undertaken within the governmental structure of the United States, which was able not only to pour money in but also to "forgive" the taxes which would normally come out. The Alliance for Progress is a co-operative agreement between independent countries of various economic and political shapes, sizes and grades, with the United States able to act only as a friend and partner offering technical advice and lending money.

The underlying purpose of the exercise varies with the interests involved. The charter speaks glowingly of a desire to "bring our people accelerated economic progress and broader social justice within the framework of personal dignity and political liberty." In northern grass roots thinking, the venture is meant to save Latin American countries from communism by helping their people to live better. Whether or not the prescription is the right one may be arguable. But the heads of nineteen states—all but Cuba—have approved the diagnosis and agreed to try the cure. The



United States is already at work on its share; within nine months after Mr Kennedy launched the idea Mr Dillon, the Secretary of the Treasury, announced that most of the first billion dollars promised had been allocated. The details sketch one layer of the co-operative fabric: \$390 million took the form of Export-Import Bank loans for development and related purposes; \$250 million from the Agency for International Development is for technical assistance, development loans and grants; \$94 million in agricultural commodities comes out of Food for Peace funds; \$78 million for housing, community development and rural credits is from the social progress fund administered under the Inter-American Development Bank. Since February the Inter-American Development Bank has also made 58 loans totalling \$221 million, all of them backed by an equal amount from the borrowing countries or institutions.

The larger United States pledge to supply the major part of the \$20 billion in loans which it is thought that Latin America will need over the next decade (western Europe has also promised some help) is contingent on the fulfilment of reciprocal promises by the southern countries and on the will of Congress. That body will be assured that every dollar which goes south will be more than matched from local funds, land, labour and so on in the borrowing country. But Congress will take a hard look every year at the progress charts and balance sheets before appropriating the next fraction.

What the nineteen southern countries have been doing has been less publicised. President Frondizi of Argentina undertook an unprecedented series of visits to other Latin American countries, then went travelling about the world, perhaps with shopping lists in hand, perhaps testing the efficacy of American aid in other lands. President Alessandri of Peru has had that country's uninhabited eastern slopes surveyed by an American firm to find out whether Peru's expanding Indian population might not be guided that way instead of being allowed to continue seeping down into Lima's crowded slums. President Betancourt of Venezuela began planning for his country's improvement while he was a political exile. The agrarian reform and self-help projects which he is showing President Kennedy this weekend are only a fraction of the work now under way. The same thing is true of the new self-help primary school near the Bogotá airport, where Mr Kennedy is to lay a cornerstone under the proud eye of President Camargo of Colombia.

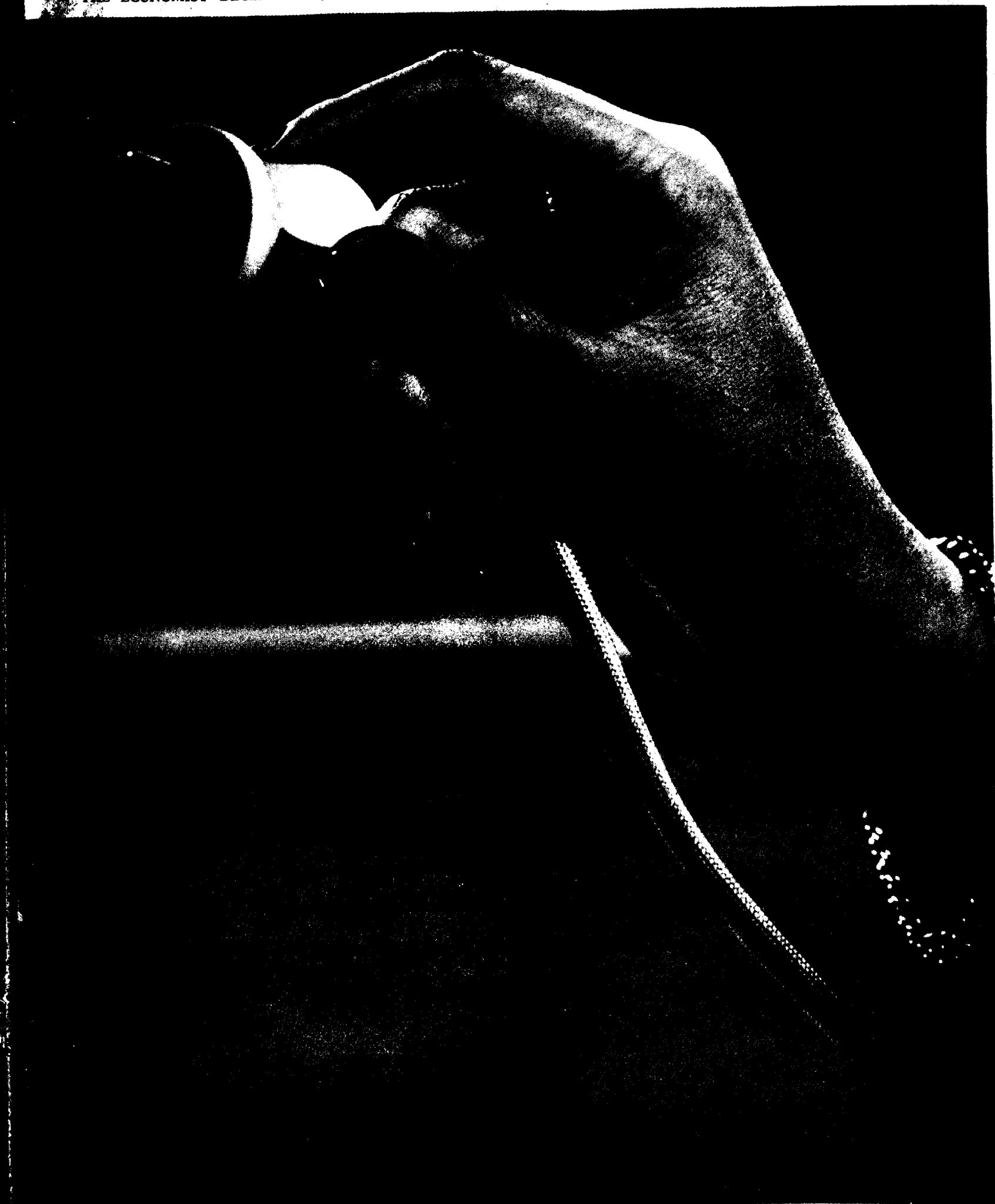
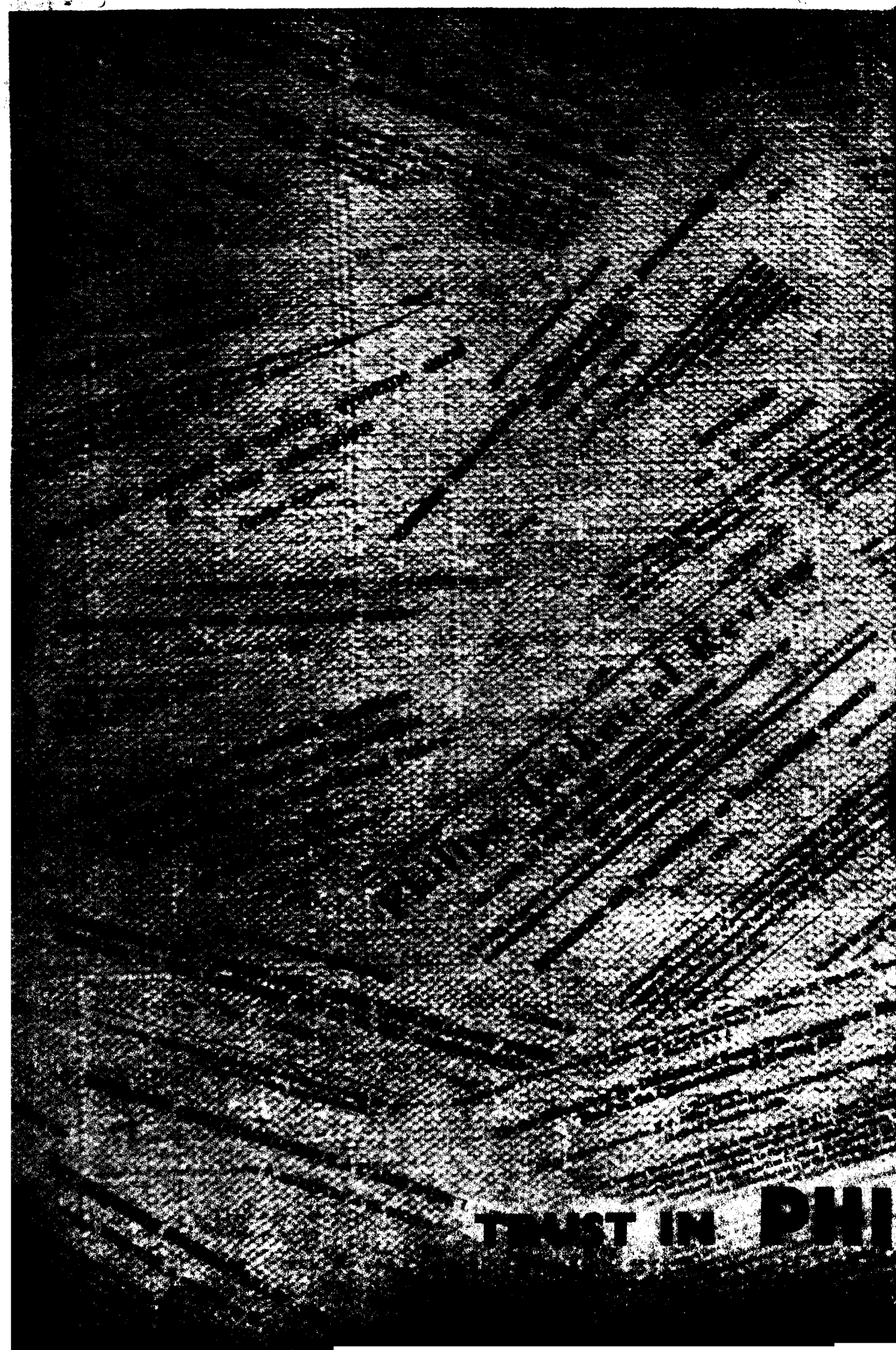
ATTEMPTS to get behind the oratory, to find out what kind of a flamingo the Alliance is and what the chances are that it can be turned into a useful mallet, collide at the moment with operational uncertainties. As an organisation, the Alliance sounds like a co-operative nightmare filled with man-traps and at least as amorphous as the British Commonwealth. It has no central headquarters yet, apart from the Organisation of American States whose economic and social council gave it birth. Nine wise men, the "high-level experts" who have just been appointed, will advise on projects submitted and requests for loans; three of them, representing respectively the OAS, the United Nations Economic and Social Council and the Inter-American Development Bank, will apparently be fitted into an executive troika. Within the United



Good old Johnnie Walker

THE SCOTCH OF SCOTCH Born 1820—still going strong





States the alliance will operate the Latin American division of the new foreign assistance organisation, AID, with Mr Moscoso as regional administrator for Latin American affairs.

The American press has tended to present the Alliance as newly sprung full-armed from the brows of Mr Kennedy's Harvard frontiersmen but its heritage is older. It has behind it not only the good neighbour policy of the nineteen-thirties, but also the sporadic efforts of the Organisation of American States, the Operation Pan America proposed by a Brazilian President in 1958, the Act of Bogotá of October, 1960, the country analyses of the World Bank and the studies and training programmes of the Economic Commission for Latin America. Without the pre-natal work of Sr Raúl Prebisch of Argentina, now named co-ordinator of the nine wise men, there might have been no ambitious new effort. As Secretary General of ECLA, with crowded quarters and a devoted staff in smoky Santiago de Chile, he has for years gathered data and made it dependable, lectured South American statesmen on the economic needs of their own countries and trained a generation of young economists to develop the skill and enthusiasm needed to attempt so complex a programme. It is rumoured that he may move to head a new institute for Latin American economic development, to be supported, at least in part, by United Nations funds. His appointment to the expert panel of the Alliance, like the appointment of Mr Moscoso at the American end, is a bright gleam in a still murky picture.

The strength of the Alliance will lie in its backing by experienced and determined men in positions of command over governmental, business and international bodies which have the needed skills and funds. Its weaknesses are political and historic, not only within the countries being urged into action, but also within their representative body, the OAS, which has won no fame as a tower of strength or decision. Critics of the Alliance, pointing also to local prides and political ambitions, to various degrees of inbred inertia, to entrenched interests unconvinced that their time is up, insist that the only cure for the rising tide of population and of popular agitation for change is active revolution. Enthusiasts, on the other hand, argue that the needed degree of social and economic change is possible through the "controlled revolution" implicit in the charter. Not the least of the key questions is whether the Latin countries and the United States Congress can be held to the main lines of the programme for the prescribed ten years.

Blue-print for Civil Rights

FROM A SPECIAL CORRESPONDENT

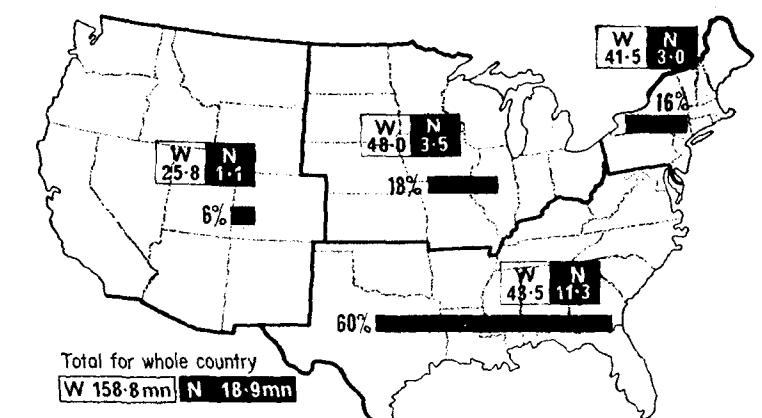
TERRELL County, in rural Georgia, is typical of the Black Belt—the name given to a swath of old plantation land that swings across the southern states. It is cotton country, rich soil that has been worked by slaves and their descendants. Negroes predominate in numbers but the whites, fearful of being submerged in a black majority, keep all the power by a combination of politics, economics and physical terror. Two-thirds of Terrell County's citizens are Negroes but until recently fewer than one per cent of them were registered to vote; six Negro university graduates seeking to register were excluded on the ground, among others, that in a reading test they assertedly mispronounced the word "equity" as "eequity."

In 1957 James Brazier, a Terrell County Negro in his thirties, was arrested on a charge of speeding in his new car. According to Negro witnesses whose accounts appear in a report issued recently by the Civil Rights Commission, Brazier was beaten and kicked by a white policeman (there are no Negro police in the Black Belt) who said:

You smart son-of-a-bitch, I been wanting to get my hands on you for a long time. You is a nigger who is buying new cars and we can't hardly live. I'll get you yet.

A year later Brazier was sent to prison again, this time for protesting against the arrest of his father, and beaten with a blackjack. He died five days later of brain injury. The federal government convened a grand jury and requested indictments of three of Terrell County's policemen under a statute dating from 1866 (the only federal law applicable) which makes it a crime for any official "wilfully" to deprive a citizen of his constitutional rights. The grand jury, made up of Georgians, refused to indict.

This story, as told by the Civil Rights Commission, illustrates several important aspects of the race problem. It shows how interconnected are the various forms of discrimination against the Negro. The police could be brutal because Negroes in Terrell County had no political or economic power; any of them attempting to exercise their political rights might have had to fear reprisal. Under the American federal system, the government in Washington may be powerless to overcome local prejudice. And, finally, there is significance in the very fact that the story of Terrell County and James Brazier has been brought to the attention of the public by the Civil Rights Commission.



Percentages are the proportions of the total Negro population in each region. Figures in blocks are of actual numbers in millions of whites (W) and Negroes (N).

The commission is one of the real surprises of the Kennedy Administration. By law it is a non-partisan body but its recent achievements are nevertheless attributable in good measure to Mr Kennedy and his advisers. Created in 1957 in the first civil rights legislation of the modern era, the commission stumbled along during the Eisenhower Administration with three southern and three northern members. President Kennedy filled two vacancies with deans of law schools—Dr Erwin Griswold of Harvard, a libertarian Republican, and Dr Spottswood W. Robinson 3d of Howard, a militant Negro Democrat. Together with the remaining members and a new, resourceful staff director, Mr Bernhard, they have made a real weapon of the commission's power to investigate and expose the state of civil rights in the United States.

In the last three months the commission has turned out five substantial volumes of reports, covering the fields of voting, schools, employment, housing and the administration of justice. The reports supply detailed facts to support the generalisations already familiar to thoughtful Americans: that Negroes cannot vote in parts of the South, that they are relegated to inferior schools, homes and jobs and that they are more likely to be the victims of police brutality than are white men. Perhaps the most important contribution of the commission has been to focus attention on the gravity of the Negro's situation in the North. There the vast post-war housing boom, nurtured by federal funds and federal mortgage insurance, has made this the land of the suburb—and



kept the Negro out. Families with dark skins have been confined in the deteriorating central cities and financial institutions have been unwilling to provide the money to stop the slide to slums. Young Negroes in such areas attend inferior schools and have little chance of obtaining anything but menial jobs after they leave. This causes fierce psychological pressures and it is no wonder that delinquency is increasing. Dr Conant, the former president of Harvard University, warned the country, in a recent study of major significance, that the failure to provide Negroes with the expectation of decent homes and jobs could lead to a terrifying social explosion in the urban North.

In a way it is easier for the federal government to move against racial discrimination in the South because there it is so flagrant and there it is usually imposed by state law. The private estate agent or house-owner who discriminates against Negroes is much harder to control and may indeed be beyond the federal government's reach. For example, the Supreme Court has outlawed the enforcement of formal covenants against the sale of property to "non-Caucasians." But a firm in Washington which excludes Negroes and Jews from its luxury estates has neatly frustrated that ruling by making all buyers promise in their contracts to let the developer know before concluding the sale of a house and give him a chance to buy it back first. A handful of states have laws against racial discrimination in the sale or rental of houses. The Civil Rights Commission recommended unanimously that a federal Executive Order should make a promise of no discrimination a condition of receiving federal housing funds or mortgage insurance and President Kennedy is reported to have such an order on his desk awaiting his signature. But one would have to be an optimist indeed to imagine that the social pressures to exclude Negroes from white suburbs will be overcome so easily.

THE degree of unanimity achieved by the Civil Rights Commission in its proposals for action has been astonishing. The six members, including the two remaining white Southerners, were united in recommending that Congress make six years of school an automatic proof of literacy in the hope of eliminating the unfair tests imposed by southern election officials. Even more surprisingly the commission's members were unanimous in suggesting that Congress require every school district that segregates children by race to come forward within six months with a plan for desegregation. They all urged Congress to ban racial discrimination by trade unions; their exclusion of Negroes from apprentice training is a major source of economic inequality. There was no dissent from recommendations that federal funds be supplied to improve the calibre of local police forces and that federal law be tightened to make easier the prosecution of brutal police officers.

The fate of the commission's proposals remains uncertain. No legislation of this kind can get through Congress without the strongest backing from the White House and the White House is clearly not spoiling for a civil rights fight at the Capitol when it needs every vote it can get for a new trade programme and other legislation. The Administration points, with justification, to the great progress it has made without any new laws. More court suits to break down voting barriers have been brought in 1961 than in the previous three years; even in Terrell County a long-standing case was won and some Negroes were registered to vote. The schools opened without violence this autumn for the first time in some years and several big school districts began to desegregate the races. A massive assault has been launched on segregation on railways and buses, and a new presidential committee is making real progress against job discrimination practised by companies with government contracts. Nevertheless, the momentum of history and the growing political power of the Negro suggest that Congress may be debating the Civil Rights Commission's proposals at its next session.

Christmas Cheer

IT would have been surprising if share prices on Wall Street had not reached a new peak this week. The normal trend on the stock exchange is upward at this time of year and in the past few days this has been backed by a whole series of record-breaking statistics. Capital spending, which has fallen in 1961 even farther below 1960 than was forecast, is expected to be higher than at any time since late 1957 in the first quarter of the new year. This will help spending on construction to reach the new record that is prophesied for 1962; this year's disappointing figures for industrial building, coupled with lagging outlays for new highways, explains why construction did not quite come up to expectations.

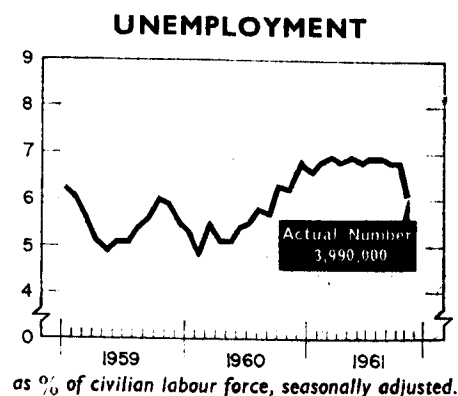
There is nothing disappointing about Christmas sales. These are running 8 per cent ahead of last year, instead of the 4 or 5 per cent that had been forecast. Shoppers, who began at last to dip into their full pockets in October, dug even deeper in November when they spent \$19.3 billion, an increase of 3 per cent for the second month running, breaking a record set in April, 1960.

Cars sold particularly well in November and the optimism of motor manufacturers has much to do with the fact that steel production has finally begun to go up satisfactorily. Much of this output is to fill orders for current consumption although it is thought that manufacturers are beginning to lay in stocks as a hedge against the steel strike that is possible next summer.

A strike then looks more likely since this week's trade union convention. The President and his Secretary of Labour urged the unions to limit wage increases to amounts justified by improvements in productivity or by the need to eliminate inequities between industries. The plea was reinforced by the announcement that in November the average factory worker's pay went up to a new record of \$95.82 a week. But even the Administration was forced to admit that its other cheerful announcement on labour was not as encouraging as it seemed at first hearing. Unemployment is still too high, even though in November it went up much less than usual in that month. The Administration expects this improvement to continue but labour leaders argue that it is merely temporary. The only permanent remedy for unemployment, in their view, is a constantly expanding economy stimulated by increases in purchasing power resulting from wage advances. If individual unions abide by the convention's resolution this will be the objective of all collective bargaining in 1962, inflation or no inflation.

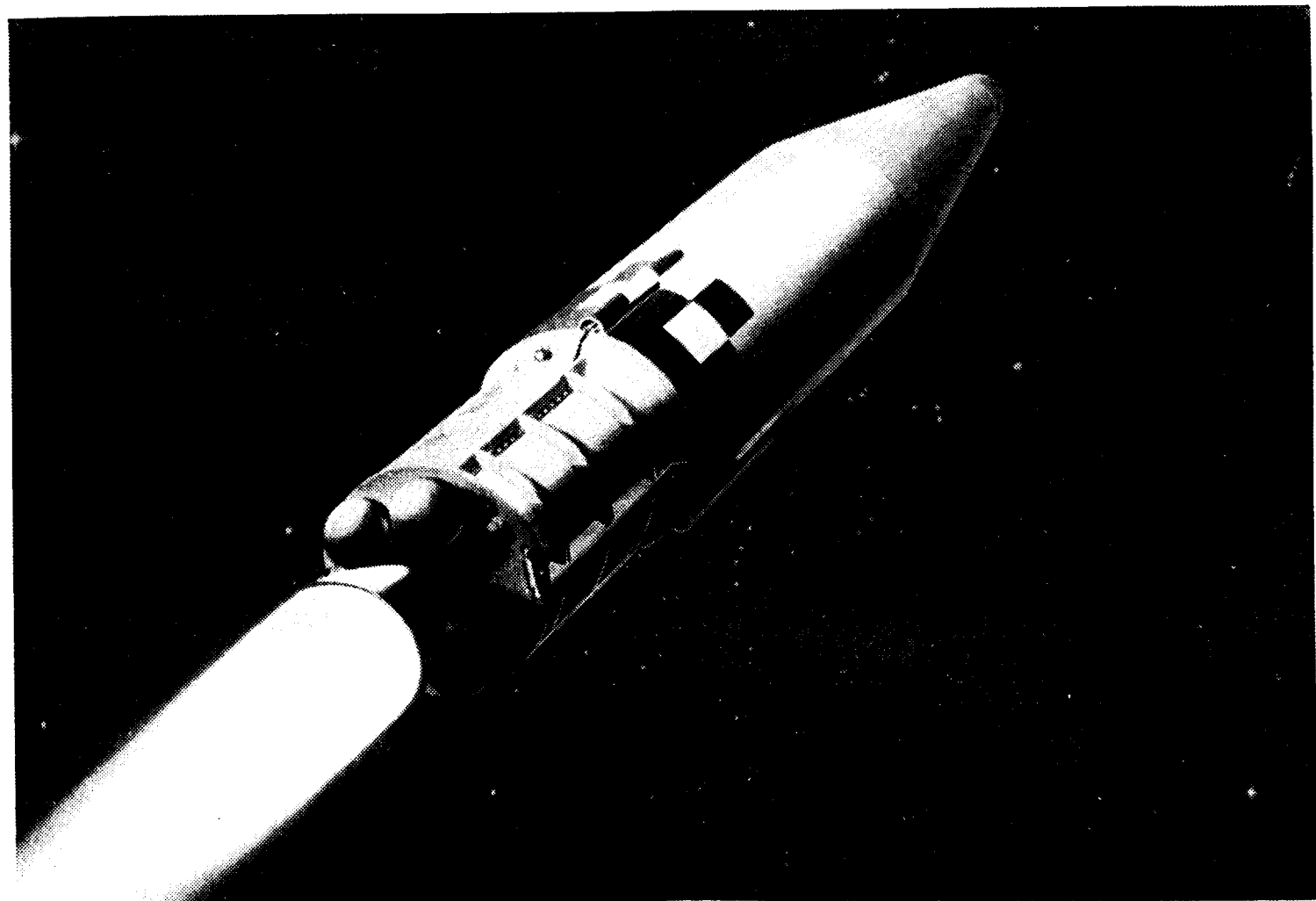
Atmosphere on Tests

ALTHOUGH preparations are being made in the United States for a resumption of nuclear tests in the atmosphere, all tests of weapons are now being done in restricted conditions underground and Mr Kennedy has given no public indication of what his decision will be. A vital consideration at present is how much progress the Russians have been making, as shown by the fifty tests in the atmosphere which they completed early in November. At the end of last week the Atomic Energy Commission, on the basis of investigations carried out by scientists under the direction of Dr Bethe, of Cornell University, stated firmly that the Russian tests have not altered the balance of nuclear power in favour of the Soviet Union, although it detracted somewhat from this firm-



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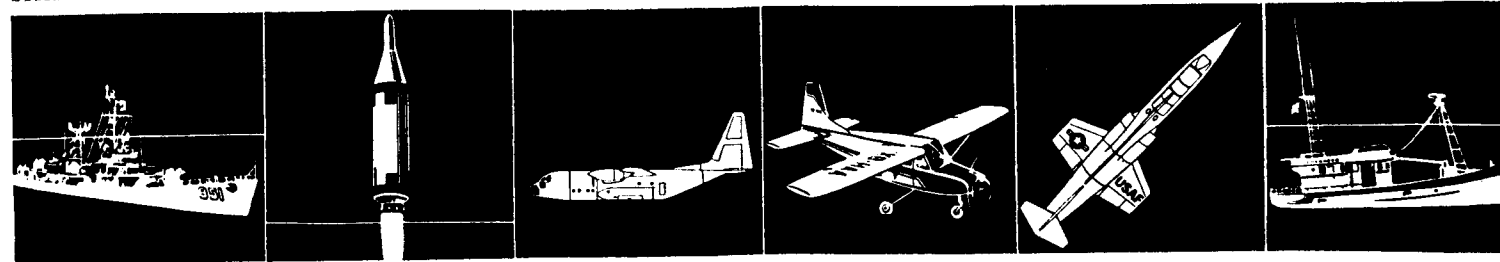


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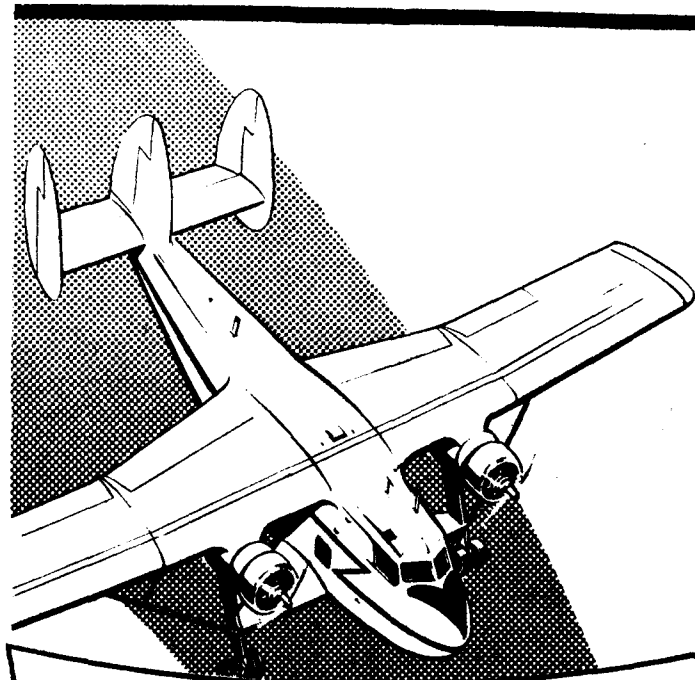
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ness by adding that the balance of power depended not only on technology, but also on the numbers of weapons available and on effective systems of delivery.

The AEC conceded, however, that the tests showed that the Russians had made advances in technology, especially in improving the yield-to-weight ratios of weapons; up to now this "efficiency" has been thought of as particularly American. It opens the way to more destructive big weapons and to smaller mobile ones for use on the battlefield. The commission was also struck by the low fall-out from the Russian tests. For the whole series this is now put at 25 megatons although on the basis of previous Russian, American and British experience it might have been expected to reach 60 megatons. This "cleanliness" is welcome to those concerned about immediate fall-out but less comforting to those concerned about the refinement of Soviet nuclear technology. According to the account in one newspaper, some officials declare that it is no longer possible to say that the United States has a decided nuclear lead and even Dr Bethe, who has long opposed the resumption of any tests, is now reserving judgment on the advisability of testing in the atmosphere. This restraint is not shared by those who have always wanted more testing and, even if Mr Kennedy wishes to hold back, it may be impossible for him to do so.

Meanwhile other scientists are busy evaluating the results of a very different test—the explosion, for purely peaceful purposes, of a 5-kiloton atomic bomb in the salt-beds of New Mexico. Project Gnome, as it is called, is intended to discover whether the heat generated 1,200 feet under the desert can be used to run an electric generator, whether useful radio-isotopes can be mass-produced and cheaply recovered, and how the effects of an explosion in salt-beds differ from those in volcanic rock. All that is known so far is that the explosion was unexpectedly powerful. Observers were jarred and there was a small escape of radioactivity from the shaft sunk in the desert.

Television Talks Back

IT is six months since Mr Minow, the new chairman of the Federal Communications Commission, threw down his gauntlet to the television industry with the charge that most of its programmes constituted a "vast wasteland." Yet it was only last week that the heads of two of the three networks—Dr Stanton of the Columbia Broadcasting System and Mr Sarnoff of the National Broadcasting Company—took up the challenge with simultaneous speeches deprecating any government interference with programmes on the grounds that this would stifle creativity and might lead to censorship. No doubt the broadcasters thought that if they lay low Mr Minow might begin to wield his new broom less energetically. If so, they have been disappointed. The FCC is still calling for power to regulate the networks, over which it has no direct authority, although they provide half of all television programmes and more than three-quarters of those shown during the peak viewing hours. Early next month the FCC is to hold hearings on the subject, just as Congress comes back to Washington. A counter-offensive was plainly indicated.

The industry is also alarmed by the seriousness with which the FCC is taking its responsibilities concerning television and radio licences. These must be renewed every three years, but until last year—when the FCC revoked two licences, one in Miami and one in Boston, on the grounds of improper attempts to influence the original grants—it had never used this ultimate sanction in the television field and had not done so for fifteen years where a radio station was involved. Now, however, the FCC, heartened by many letters supporting its stand against violence, vulgarity and mediocrity, is moving toward ordering licensees off the air on the grounds of poor programming.

A licence in Indianapolis was revoked recently and this week an

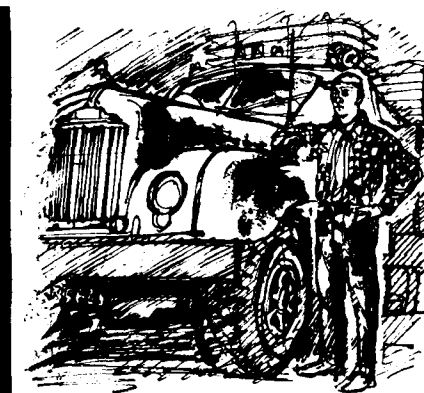
Daylight on Moonlighting

WHEN about 4 million people are out of work "moonlighters"—that is, workers who hold more than one job—are bound to attract indignant attention, particularly from the trade unions. Three million men and women, 4.6 per cent of the labour force, are moonlighters. They include the notoriously underpaid policemen, firemen, teachers and postmen, as well as students and farmers; in all these occupations the hours or seasons of work make a second job feasible. Some white-collar workers also do part-time work which requires special skills.

Many widely-held views about these busy bees are, however, false. A study of moonlighting in a week in December, 1960, which has just been published by the Department of Labour, shows that, contrary to popular impression, their numbers are not increasing and that the name itself is a misnomer. Only about a third are on the job at night, while a quarter perform their secondary tasks at the weekend and nearly half do so during ordinary daylight working hours. Only 180,000 (8 per cent) held down two full-time jobs. Nearly two-thirds worked full-time—35 hours or more a week—on one job and part-time on the other; the

remainder were employed part-time in both cases. The average moonlighter worked 50 hours a week, 11 of these on outside tasks.

Several attempts have been made to ban moonlighting on the ground that it robs the unemployed of jobs. But the Secretary of Labour doubts the value of such a ban. The secondary jobs of 850,000 of the moonlighters consisted of running their own farms or businesses, careers not open to the unemployed. Those of another half million of the moonlighters lay in professional and managerial fields and required skills and experience possessed by few of the men and women out of work. It would not even be easy to fit unemployed people into the 1.6 million less demanding jobs now held by moonlighters; some need special qualifications, others are traditionally reserved for men or for women, some are in places where there is no unemployment. Finally, earnings from the second job were usually small and most of the jobs were of a temporary nature.



Generally a person with more than one job does not follow the same occupation in both of them. Professional and technical workers stick closest to their speciality, but if they branch out are likely to be salesmen in their off-hours; farmers tend to be factory operatives or craftsmen in their spare time; salesmen often turn to farming or become clerks. Professional and technical workers and farmers lead in their rate of multiple job-holding, closely followed by teachers and government employees. Men are much more likely to be moonlighters than women and most of these men are in the 25-54 age group, with families to support. Negroes and whites are about equally likely to have more than one job.

FCC examiner recommended that a station in South Carolina should not have its licence renewed partly because it allowed a disc jockey to broadcast "bucolic *double entendres*," but also because it had fallen down in providing adequate programmes on public affairs and educational subjects and for children. Applicants for licences have to say how they will use the time at their disposal; at last the commission is checking up on how these promises are kept. In the past year 135 of 500 applications for renewal of licences have been held up on account of questions about programmes. In fifteen cases formal hearings are to be held and 28 other stations have been granted only short-term renewals. The industry will use all its influence with Congress to persuade it to clip the commission's wings; if this fails, it will turn to the courts to fight what it is sure to allege is an infringement of free speech, although the FCC insists that it abhors the idea of censorship. Unluckily for the broadcasters, most of this winter's programmes were fixed before they realised that they were to be put in the dock.

New Horizons for Welfare

MOST of the growing public hostility to the present system of public welfare centres around two programmes: that for aid to dependent children, which absorbs over a quarter of the \$4 billion spent every year for relief by the federal government, the states and local communities, and that for local assistance (where available) to the able-bodied unemployed. Programmes for the blind, the disabled and the aged arouse little criticism from the tax-payer. But—as events showed last year in Louisiana and this year in Newburgh, New York, and in the District of Columbia—the public is coming to suspect that the joint federal-state programme for aid to dependent children too often subsidises loose women. To revive public confidence is one reason for changing the system; the first instalment was announced this week by Mr Ribicoff, the Secretary of Health, Education and Welfare. But one of these changes—the renaming of the Bureau of Public Assistance, which is now to be the Bureau of Family Services—is a symbol of the Administration's deeper determination to reshape public assistance in order to help needy families, some of whom are second or third generation problems, to surmount their difficulties and to become self-sustaining as far as possible.

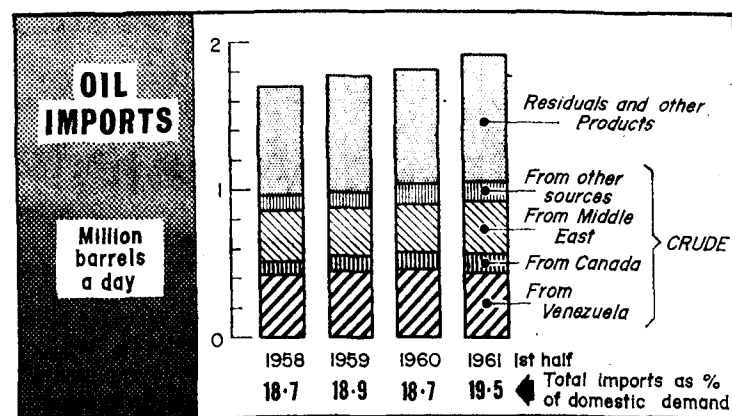
One reform this week was the permission granted to states to disregard the earnings of teenagers in assessing the resources of a family which applies for assistance, though only if the earnings are to be used for further education or job training. Mr Ribicoff also announced that the states must make more efforts to trace fathers who desert their families and to eliminate fraud. But his main point was that welfare workers must pay more visits—at least four a year—to families receiving aid for their children. More social workers will be needed and the states are asked to improve their training and recruitment. The federal government now pays half of all administrative costs but this proportion may be increased.

Other changes which Mr Ribicoff has in mind require congressional assent. He wants to extend the present temporary permission to help families whose bread-winner is out of work (under the permanent legislation families are broken up because they are not eligible for help if the father is living with his wife and children). Federal funds are also to be sought for day-care centres which would look after children, so that the mother can go out to work, and for work relief projects chosen by the local communities; here the emphasis would be on preserving and adding to the skills of the unemployed, not just on making them "pay" for their relief cheques by shovelling snow. Finally, for families which have shown themselves incapable of handling money, vouchers for the rent and groceries may be substituted for cash payments. All this might cost another \$400 million a year but it would be money well invested.

Oil Pressures

IT seems unlikely that President Kennedy is going to present his Venezuelan hosts this weekend with a removal of the restrictions on imports into the United States of residual fuel oil, nearly all of which come from Venezuela. This might have been done to counteract the unneighbourly impression of the cuts which had been confidently expected this month in the quotas limiting imports of crude oil. But these quotas are now to remain unchanged until at least the middle of next year, while the oil situation is reappraised by the new Office of Emergency Planning. This postponement is in itself enough of a gift for the Venezuelans to satisfy even the State Department, their main defender in Washington's arguments over oil imports.

The Department of the Interior is the main defender of the domestic oil producers, who are furious that they are not now getting the additional protection against imports of crude oil which they thought that they had been promised, and of the coal industry, which claims that its markets have been ruined by imports of residual fuel oil. The coal interests are backed by the railways which transport the coal and attacked by the principal users of residual, the factory owners, who claim that their costs have gone up because of the restrictions; these protests are especially well organised in New England, President Kennedy's homeland. The oil producers make common cause with the coal miners in order to strengthen the pressure for protection, even though they arrange their refining operations so as to produce little or none of the unprofitable residual product and so do not themselves object to this particular competition from abroad.



It is easy to sympathise with the domestic oil companies who have seen imports go up and their own profits and output go down in spite of the quotas—voluntary since 1957 and mandatory since 1959—which were supposed to build up the American industry so that it could be relied on to meet all demands in time of war. But even an official of the Department of the Interior has told the oil producers that the fault lies mainly with their own miscalculations and that they should reduce their costs and develop new uses for their products instead of appealing to the government for more protection. It is significant that the OEP is to take into account the need to promote economic growth as well as the welfare of the domestic petroleum industry in framing its alternative means of "achieving our security objectives." But whether its recommendations are for a complete change of policy or not, it seems likely that the main reason for the reappraisal is to take some of the pressure off the President while he is trying to get his new tariff policy through Congress. To have increased the protection given to what is already one of the most protected of American industries would have made his advocacy of freer trade look hollow. To have refused to do anything would have added strength to what is already a powerful and bitter opposition.

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December BC 753: Romulus buries Uncle Remus, founds Rome.

December BC 218: Hannibal camps on Alps, sights Turin Town Hall.

December BC 1: Bir son of Brum founds Birmingham, invents engineering.

December AD 1859: Garibaldi founds Italy, invents biscuits.

December AD 1961: Wilmot Breeden invest Turin. Banners and trumpets.

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Fiesta. Battle of flowers.

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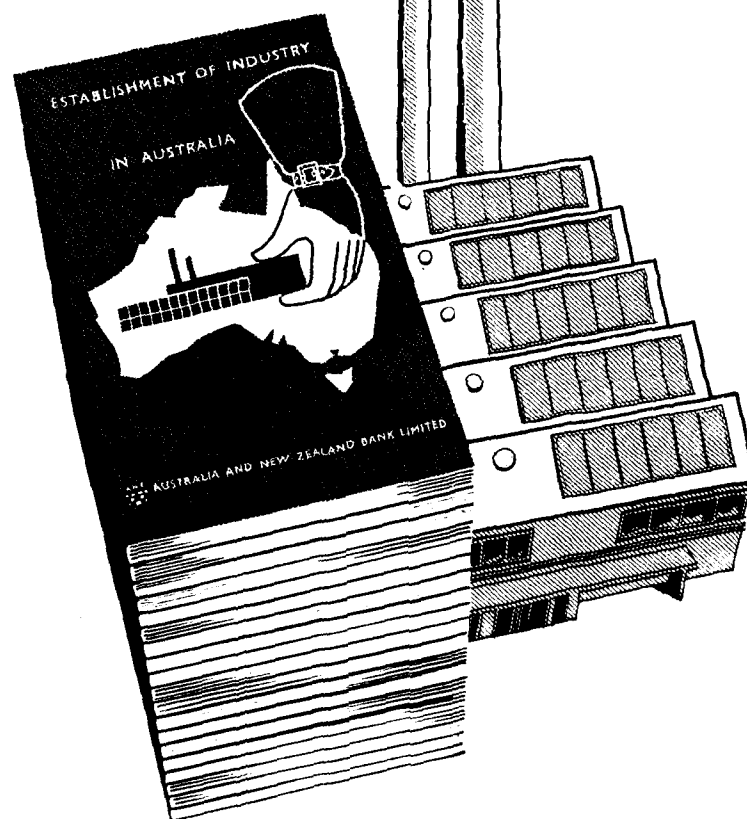
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THE BUSINESS WORLD

Capacity and Steel Profits

IN a recent study of American steel prices, the United States Steel Corporation produced figures which, it argued, showed a direct linear relation between the operating rate in steel production as a percentage of capacity and the profits of American steel companies. For every ten percentage points that the operating rate went down, it reckoned, there was a fall of 4 per cent in the rate of profits, after depreciation but before tax, as a percentage of capital employed. During the year to September 30th last, in Britain, output as a percentage of steel capacity fell to about 82 per cent; but the average for these twelve months was about 88 per cent, against 94 per cent in the industry's preceding financial year. Do the sum on the ratio that the American companies have worked out, and six percentage points down in capacity would imply a fall of just on two and a half per cent in net profits before tax as a percentage of capital employed. In 1959-60 the British steel companies were making, say, 15 per cent on their capital employed: if that came down to, say, 12½ per cent, it would mean an average fall of about one-sixth in the profits shown. Is that the average that one should expect for British steel companies in 1960-61?

Until the full reports for British steel companies begin to appear, we have no figures for capital employed to reckon the percentage rate of profit earned. Up to the time that *The Economist* went to press this week, seven large steel companies had reported their preliminary results for 1960-61, among them six of the industry's biggest companies. The profits of these seven were down by an average of about 27 per cent below 1959-60, which is a good deal more than the American ratio would have implied. It will be interesting to see whether any clear ratio of this kind will emerge from the British results. The American companies seem able to break even much farther below capacity than ours do (the correlations quoted above suggested that profits would not reach zero until the operating rate was down to 40 per cent of capacity). But these differently-sized industries are at least of a kind. And certainly the fall in capacity working offers the most plausible reason for the sorry crop of British steel results this year.

It was not so much a fall in production: this was only about 1½ per cent below that of the previous twelve months. But throughout the year the industry's productive capacity was creeping up: the average for the year to September, 1960, 26.39 million tons was 1.10 million tons more than in 1959-60. And one practical link between output and capacity—the reality behind the correlations—comes in the level of productivity when plant is or is not busy. Measured as labour productivity, this appears to have fallen significantly in the last financial year; the industry's index of output per man-

year went down by 5 per cent. This is really, however, a matter of capital productivity and the cost of it: the assets employed in the steel industry are now growing considerably in value as well as capacity every year, and no industry can afford to produce less from this more efficient but also more expensive park of equipment.

The fall in productivity may have had more than a proportionate effect on costs. When prices of coal and later of fuel oil rose during 1960-61, the Iron and Steel Board delayed increasing prices, and finally increased them less than it would otherwise have done, because it was counting on a continued upsurge in productivity from the newer plant steadily coming into operation. That did not happen. It is not clear to the outside observer why a fall of only 1.6 per cent in output should have wholly offset the effect of perhaps 5 per cent of new capacity, since it would ordinarily be the old plant that a company keeps idle when demand is slack. But some of the extra plant has consisted of mills of the same kind coming in simultaneously, such as plate mills. These are costly, offer significant but not dramatic improvements in productivity, and hence probably need to operate very close to full capacity to gain such potential savings as they do embody. Since prices were not put up as much as costs might have justified and moreover, productivity actually fell, margins in steel have been drastically squeezed at home. Abroad, premiums on anything except occasionally tinplate are a thing of the past: export prices softened further in 1960-61 and during the year were generally lower than British home prices.

AS was noted in these columns last week, stocks of finished steel in the hands of merchants and consumers at the end of September were still about 234,000 tons more than those a year before; but stocks in the hands of producers were down by about 100,000 tons. The highest figure ever shown by the consumers' and merchants' stock census was in March this year, 4,658,000 tons of finished steel; the 1961 peak of producers' stocks came in February, 2,783,000 tons. Between that quarter and the end of September there was a reduction of about a quarter of a million tons in each of these sets of stocks, and 336,000 tons of this total fell in the third quarter. That represents 460,000 tons in crude steel equivalent, a reduction at the rate of more than a million and a half tons a year.

Steel consumption has dipped rather than grown this year, and there seems little reason why it should turn upwards until, say, the middle of 1962. Private investment now appears likely to slacken considerably in terms of steel demand,

and even though public investment is likely to rise, this may not be enough to keep total investment, and its demand for steel, from sinking slightly. Exports of engineering products should rise ; and for home sales, too, there may be some growth of demand from the motor industry. This might indeed need to turn to re-stocking earlier than other consumer industries, since consumers' stocks of sheet have been cut more drastically this year than those of most other steel products. The motor industry, moreover, always makes do with a somewhat lower level of stocks relative to production than various other major users, so it might be less likely to go in for any once-for-all

reduction in consumers' stocks to a more economic level—a possibility now haunting forecasters in the steel industry. If this does not happen, and the cyclical turn upward that one would otherwise expect does occur in stocks, then at some point in 1962 the industry's fortunes could shift significantly for the better. But whether this will come in time to make much difference to the companies' 1961-62 results is more doubtful. One lesson of the last few years in steel is that a higher level of capacity, of output, of consumption—and of confidence in reasonably early deliveries—seems at present to be making for larger fluctuations in the industry's operating

The Companies Report

Almost all steel companies report on the same financial year, which makes comparisons between their results and those for the whole industry more meaningful than in most kinds of manufacture. Every steel company, however, lives within its own unique business situation, as this week's results indicate :

STEEL shares have proved to be very sensitive to the varying fortunes of the steel companies as reflected in their 1960-61 results. Their prices have first been tugged one way and then another. After the John Summers results were published before the weekend, prices, for instance, improved a little but their average gain of two per cent, as measured by the *Financial Times* index, was soon wiped out by news of prospective redundancy at Dorman Long's Cleveland works and more particularly by the trading results of Colvilles. These were broadly in line with the estimate given at the time of the rights issue in July when the directors said that profits after tax and depreciation, but before any transfer to capital reserve, would not be very different from those of 1959-60. In fact, on this basis profits in the year to September 30th fell by 4.6 per cent. But this paints too bright a picture of the group's trading results in 1960-61, for the tax charge has been reduced by over £2 million through the incidence of investment allowances and trading profits before all charges fell by 15 per cent from £16,169,000 to £13,742,000. The whole of the fall in profits occurred in the second half of the financial year, when trading profits fell from £8,226,000 to £5,516,000.

In the six months to the end of September the directors say that demand fell noticeably and this is reflected in the fall in the half-yearly output of steel ingots and castings from 1,155,000 tons to 887,000 tons. Margins were squeezed as increased costs were only partially met by the rise in steel prices. The directors add that "present indications are that the current level of operations is being maintained and although lower than last year it is still profitable." There are as yet "no signs of a revival." Earnings in 1960-61 covered the maintained dividend of 16 per cent four times but profits seem likely to fall further in the current year.

Except in spun iron pipe and castings, production at the British works of Stewarts

and Lloyds fell in the year to September 30th ; but the value of the group's sales, including those of its overseas subsidiaries, rose by 13½ per cent, from £139.4 million to £158.4 million. But gross profits before tax and after a higher depreciation charge fell by over 23 per cent and the gross profit margin declined from 13 per cent to just under 9 per cent. The reasons the directors give for the fall in profits are: "first and foremost the absorption, without compensating home trade price increases, of significant additions to costs, mainly fuel, wages and salaries; secondly, a reduction in exports of tubes to the oil and natural gas industries; thirdly, a fall in export prices for general purpose tubes as a result of competition from overseas tubemakers." One point they do not mention in an otherwise comprehensive preliminary report is how much the inclusion for the first time of a full year's earnings from Staveley Iron and Chemical has added to the group's profits in 1960-61. In 1959-60, Staveley earned £14 million; hence, the fall in the group's gross profits ex Staveley must be more than 23 per cent. The consolidated net income has fallen by 27 per cent but, as forecast, the total dividend is left unchanged at 15 per cent; the shares arising from the rights issue in May rank for the final of 10 per cent.

This issue produced nearly £13 million and the directors say that "a further approach to the market is not expected to be required in the near future" and that they have received "an assurance of adequate assistance" from their bankers. At some time, that assistance will be needed for, having spent £10.2 million on capital account in 1960-61, Stewarts and Lloyds has the balance of its development pro-

gramme, amounting to nearly £48 million, to finance.

The big shock in the preliminary statement of the **Steel Company of Wales** is the cut in its dividend from 12½ to 10 per cent, even though net earnings, reduced though they are, cover the payment about 2½ times. Clearly, the directors wish to retain as much of the cash flow as possible in view of the development commitments, although these have been scaled down. Net income has fallen by about 30 per cent, despite the reduction of the appropriation to fixed assets replacement reserve from £3 million to £2 million. Trading profits, before all charges, including interest, depreciation and replacement reserve appropriations, have fallen by nearly 24 per cent. The value of sales and other income, on the other hand, fell by only 7 per cent, from £143 million to £133 million, so that the gross profit margin before depreciation has declined from 21.3 per cent to 17.5 per cent. Steel of Wales produced a lower tonnage than in 1959-60 and the directors comment that: "The recession in demand for sheets and tinplate continued during the second half-year. The export market became much more competitive and prices were reduced. Increased costs were not recouped adequately in the home market."

The chairman's optimistic comments in February about the outlook for **Whitehead Iron and Steel** looked rather out of keeping with the 24 per cent fall in profits in the half year to March 31st that was reported in July. And now the preliminary results for the full year show a fall of 37½ per cent in profits before tax. As expected the dividend has been maintained at 15 per cent but it is now covered just twice by earnings. It is unfortunate that after the encouraging tone of the chairman's statement neither the interim nor the preliminary statement give any explanation why Whitehead, which is primarily a steel re-rolling firm as distinct from a steel producer, has fared so badly. But Whitehead, like other steel companies, must have been operating on smaller profit margins.

STEEL PROFITS AND DIVIDENDS
(£ million)

Year to September 30	Gross profit		Deprecia- tion		Net profit		Net cash flow		Dividend per cent		Price	Yield
	1960	1961	1960	1961	1960	1961	1960	1961	1960	1961		
Colvilles	16.17	10.92	2.59	2.82	4.98	4.61	9.38	8.12	16	16*	47/9	6.7
Steel Co. of Wales..	30.48	23.25	8.22	8.33	10.03	6.93	15.18	12.81	12½	10	30/9	6.5
Stewarts and Lloyds	22.26	19.04	4.02	5.04	10.12	7.41	11.84	9.26	15	15*	37/3	8.1
Whitehead	1.67	1.28	0.18	0.22	0.73	0.49	0.68	0.48	15	15	42/6	7.1

* Final dividends of 10 per cent payable on capital increased by rights issue.

rate. This was implicit, indeed, in its decisions to aim at more spare capacity in its current steel plan. The capacity planned for 1965 is 32 million ingot tons, against an expected output of just over 28 million. That means an expected rate of 85 per cent of crude steel capacity by the mid-sixties, but the margin of spare capacity for certain finished products would be significantly larger. The capacity is already beginning to build up, and though production is not yet significantly off the trend forecast, its swings are tending to leave larger proportions of capacity idle.

Prices of British steel are at present set by the Iron and

Steel Board to give what it considers a reasonable rate of return at a reasonable rate of capacity: it last carried through a major price review in 1959. Next time it does the exercise, the question of the operating rate upon which prices should be based will obviously be at the centre of the argument. But the current state of the market for steel—and the likelihood of a quite rapid dismantling of protection when Britain enters the common market—may not make 1962 a healthy time to put up steel prices. By the end of 1962, indeed, the question may be arising of just which body, if any, should be controlling these prices.

Background to Gold Shares

SINCE gold was first discovered on the Langlaagte farm seventy five years ago, South African gold mining shares have carried the risks inherent in all mining operations and the burdens of periodical political crises. The Rand mines had just been brought into production when the Boer war broke out; sixty years later, the tensions created by the policy of apartheid rose to crisis point just as the Orange Free State mines had firmly established themselves. South African gold shares have offered risk-bearing plenty of opportunities and they have attracted at least as many speculators as investors. Today, the risks are as high as ever but the chance of gambling profit still beckons. Slightly more than half of South Africa's earnings from exports come from gold and it generates much of the wealth for the development of South Africa's industries. The gold mining industry is stronger and in better shape than at any time in its past: monthly output is only fractionally below, and will soon reach, two million ounces; many production and profit records are being broken; and two mines, West Driefontein and Western Holdings earn a working profit of more than £1 million per month. It was not this background, but fears about the political future, that scared investors about Kaffirs. Measured by the *Financial Times* index of gold shares, (September, 1955 = 100) Kaffir prices fell to their lowest point of 52.4 in July this year. They have since risen by as much as 20 per cent, but the yields, as the table shows, are remarkably high for a booming industry with good prospects of expansion. By normal mining criteria—ore reserves, payability and development results—many Kaffir share prices are ridiculously low. But, as the chart shows, they have increasingly reflected the possible consequences of the policies pursued by the Nationalist government. Two events early in 1960 drove these home to investors: Mr Macmillan's "wind of change" speech and the Sharpeville shootings.

The flight of capital from South Africa gathered even more pace after the vote for a republic in October, 1960, and again after South Africa left the Commonwealth last May. South Africa's gold and foreign exchange reserves fell rapidly; and exchange and import controls were belatedly imposed. These controls needed several months to bite and by June, when the reserves had fallen to about £70 million (more than halved since Sharpeville) the Finance Minister, Dr Dönges, had to slam the door on the capital outflow by blocking the proceeds of sales of South African securities by non-residents and by forbidding South African residents to buy any securities in

overseas markets. By then, Johannesburg was already the world's biggest market in gold shares, having been able to absorb heavy sales from London, Paris and other overseas markets which were taken up by such domestic institutions as S.A. Mutual and Sanlam. Thereafter, Johannesburg was completely isolated; arbitrage between it and other stock markets has been almost impossible and prices in London sank well below Johannesburg prices, with business at an abysmal level.

More recently, however, British investors, feeling less certain about the future of their own economy, have been taking a second look at Kaffir shares. Indeed, they have been one of the few relatively firm sections of the London stock market and buyers from both the Continent and America have also been attracted to the London market by the sizeable discounts compared with Johannesburg prices. Buying has been encouraged by the rapid recovery in South Africa's reserves which since June have risen from £70 million to £125 million. Recent estimates suggest that South Africa will earn a current account surplus of £85 million this year, compared with only £11 million in 1960. The reserves have been strengthened also by overseas loans, amounting to £35 million so far this year. Of these, perhaps the most significant came in September when a big group of American institutions lent \$30 million (or £10½ million) at 7 per cent to Rand Selection, which had been strengthened earlier in the year in the hope that it would provide a suitable vehicle for attracting new funds, particularly from overseas. Its quick success owes much to the standing of the Anglo American Corporation. This loan more than covered Rand Selection's immediate development commitments and gave grounds for more confidence in South Africa's economic future. But, as Mr Harry Oppenheimer, the chairman of both Rand Selection and Anglo American, said at the time: "This kind of borrowing can only be done once. It is no substitute for a return of investment confidence in South Africa."

Helped by loans such as this, the reserves are now well past the safety mark of £100 million indicated by the Minister of Economic Affairs, Dr N. Diedrichs, when he was in London in September on the eve of the South African election. He then talked glowingly—as politicians do with an election in the offing—about the possibilities of an early relaxation of exchange controls. The dismantling of all these could well take a year or more, for non-residents might take any immediate opportunity to pull out and South Africa is due to repay

£50 million of its external debts next year. But last week when the South African bank rate was reduced from 5 to 4½ per cent, the Governor of the Reserve Bank, Dr De Kock, did say that part at least of the 1962 maturities would be covered by renewals or new loans. The South African government have, indeed, taken the first steps towards relaxation, primarily by easing import controls but also by making the first real concessions on exchange controls—the most important being the abolition of the time limit of 90 days during which non-resident holdings of blocked rands could remain uninvested. The next logical step would be to make blocked rands transferable between non-residents. Such a move would establish two exchange rates, one for “blocked” and the other for “free” rands, and the South African authorities would be free to intervene to support the “blocked” or “security” rands. Investors have begun to weigh such possibilities and, as a result, the differentials in Kaffir prices on London and Johannesburg, have narrowed.

While the possibility of exchange decontrol explains in part the narrowing of the discount on gold share prices in Johannesburg compared with other markets, it does not itself explain why gold shares have risen on all markets. This has primarily been due to renewed discussion about the prospect

dollar (and with it other currencies) comes under extreme forms of pressure, escape may be sought through raising the price of gold. In recent months speculation based on such arguments has focused on gold shares rather than gold itself. There has been no repetition of last year's gust of speculative buying which carried gold up to \$40 an ounce. Some who were paying dear in the bullion market now see some better sense in speculating in Kaffir shares, perhaps for a smaller ultimate capital gain but at least with the benefit of interest meanwhile.

The odds against a profit on such a speculation are lengthened by other factors. First, a seemingly adequate discount for the political risks has on past occasions proved totally inadequate. Because the Nationalists scored another victory at the polls this autumn, is it certain that the political risks are adequately discounted now? Secondly, considerable doubts remain whether the finance houses and the newer mines will be able to push their dividends up. They now rely more than ever before on self-generated finance to bear the cost of further development. Some of it may be held up, and the rise in dividend payments and hence in the market value of the shares that could normally be expected as a mine approaches peak production could easily be retarded. Thirdly, for British investors, there must be some uncertainty about the future of the double tax relief agreement when the one-year act that kept it going runs out in May. Fourthly, labour costs in the gold mines are likely to rise and though the newer, richer, mines may be able to improve the productivity of African labour by further mechanisation, low grade mines, with less scope for mechanisation, may have difficulty in absorbing all the increase in working costs.

Such considerations make the choice of individual stocks far from clear cut. A gamble conceived simply in terms of an appreciation in the price of gold would favour some of the older, low grade mines. A venture designed to limit the political risks would bring in those finance houses that have interests outside Southern Africa. The finance houses have always been more attractive to long term investors than individual mines because they provide a better spread of mining risks and their shares have attracted most of the recent buying. In terms simply of their economic worth, finance house shares are undervalued—and some of the newer mine shares even more so. But to go further to the actual purchase of shares must assume that the political risk is fully discounted. On this, no one can be sure; and, recently, some speculators have tried to minimise the risk of a capital loss by taking out options on the London market rather than

BUSINESS NOTES

IMF

The Lender's Club

ON Wednesday Dr Per Jacobsson, the managing director of the International Monetary Fund, made his deadline of December 15th with 48 hours to spare. Ten Western finance ministers meeting in Paris then agreed in broad outline to the plan to supplement the IMF's resources by some \$6,000 million on which some of them had indulged in remarkably plain speaking in Vienna last September. There has been only slight unbending of attitudes on the mobilisation and use of this addition to the Fund's resources. These matters will be governed by an agreement which the ministers considered this week and which will operate as an annexe to Article 7 of the Fund's charter. Once the governments of the respective countries have given their agreement, formal approval by the executive directors of the Fund should follow by the end of the year or soon after. M. Baumgartner, as host in Paris, has sent a formal letter to each of the finance ministers setting out the proposed methods and the conditions of operation of the “lender's club,” the terms of which may be published in about a fortnight. It is believed to refer to the use of existing organs (including OECD) in the procedure of consultation and also to go into the details of voting procedures and the question of weighted majorities.

Dr Jacobsson has managed to keep the routing of the new money through the Fund rather than by direct bridge between lender and borrower. But the new facilities, as the Vienna debate had suggested only too plainly, are to be separate from the ordinary resources of the Fund, and will be subject to a degree of separate national control. Some authority has been lost by the IMF and a good deal gained by the new European group. How this new balance of forces will work out must depend on relations between the Fund and the lending countries. If the atmosphere in Paris this week was plainly better than that in Vienna three months ago, it was also clear that M. Baumgartner had made his point.

Individual contributions from the members of the new lending club have not yet been published, but reliable figures from Paris put the United States down for \$2,000 million, the United Kingdom \$900 million, Germany \$900 million, France and Italy \$500 million each and the remaining five countries, Belgium, Canada, Holland, Japan and Sweden, for the final \$1,200 million. It may also be that Switzerland, which is not a member of the IMF, will support the scheme up to as much as \$500 million.

Countries borrowing under this new arrangement will observe the normal IMF rules controlling the length of the credit and interest charges. The club's credits will match these terms, normally for periods of 3 to 5 years, but they will include a clear “reversibility clause” to safeguard any creditor if he finds himself later in difficulties.

M. Baumgartner has made it abundantly clear that the new facilities will not be granted to cover ordinary balance of payments deficits, but are intended strictly to neutralise massive short-term capital movements. The plan is expected to be ready for operation in four or five months; its worth will depend on the readiness and speed with which the new club can put it into action if key currencies are threatened.

THE EXCHANGES

End-Year Influences

THIS week the foreign exchange markets changed down to low-gear as the financial world began to prepare for the end of the year and the balancing of its books. Dealers are keeping their chins in, and the main influence in the market is commercial demand. At the end of last week spot sterling closed at \$2.81½ and it remained at this level throughout Monday and Tuesday. But after the London market had closed on Tuesday fairly heavy commercial selling in New York, and some early selling from Paris and Frankfurt on Wednesday morning, took the spot rate down to \$2.80½—a fall of ½ and the lowest point for three months. At that level the authorities gave a small amount of support. On Thursday the spot rate improved to \$2.8095 following continental buying, but the market was apparently unaffected by the news from Paris of agreement on new funds for the IMF.

The Canadian dollar tended to drift down this week and the discount against the United States dollar is now just over 4 per cent. During October the discount of 3 per cent was held only after the Government had put \$186 million into the exchange market. In November the situation was reversed and the Government's foreign exchange reserves fell by \$32 million following sales of US dollars designed to moderate the decline in the discount. There is no indication that this 4 per cent exactly fits Mr Fleming's “significant discount,” but in

January the International Monetary Fund will hold its annual consultations with the Canadian government and it is likely, once again, to suggest the re-establishment of a fixed rate of exchange.

One result of the United Kingdom's repayment of £50 million to the IMF in the last week of November, was to boost Germany's foreign exchange reserves by some DM 340 million (about £30 million). The repayment was made in D-marks, French francs, and dollars, but to get the D-marks the United Kingdom exchange control was forced to swap dollars for D-marks with Deutsche Bundesbank. In total Germany's reserves rose by DM 426 million in that week, the first increase since September.

IN THE MARKETS

Pleasing Conversion

THE immediate point in the government's conversion plan that the stock market seized upon was that it reduces the nominal amount of the national debt by £278 million. There is £758 million of the maturing 4½ per cent 1962 stock but the conversion stock to be issued is limited to £300 million, carrying 6 per cent and repayable in 1972, and up to £200 million by another tranche of 5½ per cent Funding stock, 1982-84. Exchange into the 1972 stock will be at par plus £2 10s. cash for £100 nominal of the 1962 stock; exchange into the 1982-84 stock will give £110 nominal for £100 nominal of the 1962 stocks. The gap in the conversion gave a psychological fillip since it is the first occasion for many years when the nominal supply of government stock in the market has been reduced; this accords with the budget promise that the government would not be coming to the market for new money in the current fiscal year.

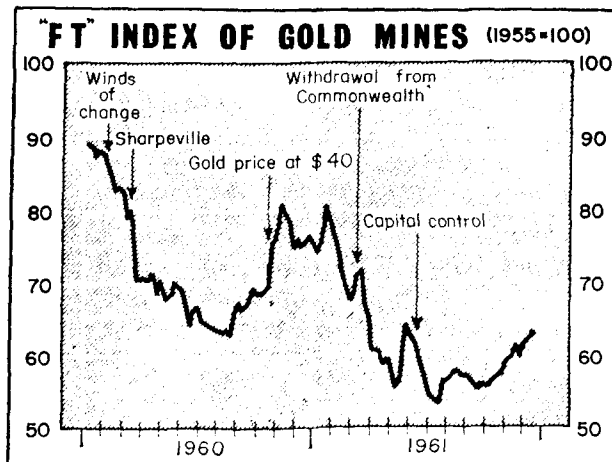
In itself, however, the short-fall in the conversion does not release £278 million in cash to the market. The real effect of the conversion on the forces in the gilt-edged market and, consequently, on the banks' liquidity does not turn on the nominal amount of stock offered but, first, on the size of the authorities' holdings of the maturing stock and, secondly, on the determination with which sales of stock in official hands are pushed through the tap. On the first score, the authorities are known to have taken in a substantial lump of the maturing stock and the amount of cash coming into the market on the conversion dates will simply depend, as it has with other conversions in the past, upon the number of holders who decide to hold the stock to maturity and take the cash. There

SHARE PRICES AND YIELDS

	End-1959	Post Sharpeville Mar. 1960	Ex Commonwealth Mar. 1961	June 16, 1961	June 19, 1961	Current Prices London	Yield per cent London
Finance Houses							
Anglo-American Corp.	213/9	180/-	146/3	128/9	118/9	143/6	171/6
Consolid. Gold Fields	98/6	76/3	56/3	49/-	45/-	69/9	79/6
Johannesburg Cons.	78/3	62/3	47/6	39/6	39/6	52/-	61/-
Rand Selection	61/9†	55/10½	44/6	41/10½	36/3	44/3*	53/6
Union Corporation	83/6	68/6	54/7½	48/9	42/6	62/9	71/3
New Mines (not paying dividend)							
Blyvoor	29/6*	27/7½	27/-	26/9	23/9	26/3	31/-
F. S. Geduld	190/-	147/6	105/-	88/9	81/3	101/3	116/6
St. Helena	81/6	74/3	66/3	58/9	54/-	71/9	82/3
Western Holdings	168/9	148/9	133/9	118/9	103/3	130/-	149/6
New Mines —							
Bracken	28/2½	29/-	27/6	21/9	20/-	21/3	24/3
Lorraine	38/9	29/9	23/3	18/-	15/-	17/3	20/9
West Deep Levels	55/-	46/6	38/9	33/6	29/10½	41/6	46/9
Old Mines —							
City Deep	22/3*	18/3	15/-	13/3	12/3	15/6	18/3
Durban Deep	41/-*	31/9	27/6	26/3	24/6	29/3	33/3
E. Rand Proprietary	41/6*	36/10½	30/-	23/6	22/9	29/-	34/-
South African Land	16/6	13/6	13/9	13/6	13/-	16/-	17/6

* Ex dividend. † Adjusted for “rights” issue.

for a higher dollar price for gold. Behind this discussion lies the belief that, whatever is done to augment world liquidity through the IMF or by other means, gold will not, in the short term at least, be supplanted as an ultimate means of settling international accounts. Ultimately, the foundation that gold now provides for the present gold exchange standard might cease to be needed—say, if it were supplanted by IMF deposits. But that is looking far ahead. At the moment, the prospects for the raising of the gold price are expressed in doubts about the parities of sterling and the dollar. American gold reserves have fallen to their lowest level since 1939 and since the flare-up in the gold market a year ago the authorities have not found it easy to keep the price of gold significantly below \$35.20 per fine ounce, least of all in the last month or two. If, therefore, the argument runs, the



buying the shares outright. Yet for a well-spread portfolio, a small stake in Kaffirs bought in London at the present time might not be an unreasonable proposition. Quite apart from any increase in the price of gold this could be justified in terms of the mining potential of the South African goldfields. But in the last two years or so, investment confidence in South Africa has been largely destroyed and even if exchange controls are lifted, its restoration will take many years—and will require a change in thinking in South Africa itself.

will be some of these, including some of the banks.

On the second score, the conversion stocks enhance the authorities' control over the gilt-edged market at the key points. No new "short" has been issued; but the discount market, having sold its holdings of the maturing stock has plenty of other bonds at the moment and the authorities have the 5½ Exchequer 1966 on tap while the 2½ per cent Savings, 1964-67, will rank as a "short" in May. The 1972 stock's 6 per cent coupon will attract investors looking for a good running yield—though it is just a bit too long for the banks except in small amounts. When the authorities exchange into the 1982-84 stock, they will replenish their exhausted tap in a stock which is tax free to non-residents. Its appearance, moreover, gave fresh currency to the view that the tap for the 5½ Treasury stock, 2008-12, was running dry and its rise since the conversion was announced suggests that this is near the mark.

Healthier Tone

IN all, the terms of the conversion offer gave the gilt-edged market a healthier look than it has worn since the shock of the electricity wage award. Prices rose sharply, particularly at the long end of the market; this was a reflection more of switching into longer dated stocks than of new buying. The authorities were still taking in the maturing stock and some investors took the opportunity to switch profitably into the 3 per cent Exchequer stock 1962-63. There were some buyers for the new 1972 stock, through the medium of assented stocks, and on Wednesday its tap price was raised from 98½ to 98½. At the long end of the market, the tap price for the 2008-12 stock was raised twice on Tuesday and three times on Wednesday, to close at 83½ net on that day. Earlier funding sales had kept its price relatively depressed and the conversion made it an attractive switch.

	Dec. 7	Dec. 11	Dec. 13	Gross Redemption Yield, %
Exchequer 3½ 1962/3...	95½	96½	96½	5.76
Exchequer 5½ 1966...	98½	98½	98½	5.98
Savings Bonds 3½ 1965/75	70½	70½	70½	6.23
Treasury 3½ 1979/81...	68	68½	68½	6.42
Funding 5½ 1982/84...	90½	90½	90½	6.31
Brit. Gas 3½ 1990/95...	53½	53½	53½	6.39
Treasury 5½ 2008/12...	82½	82½	83½	6.65
War Loan 3½...	51½	51½	52	6.72*

Prices quoted net of interest.
* Fiat yield.

The conversion has brought a little more life back to the gilt-edged market. But it alone will not restore confidence in fixed interest stocks, as expressed in the substantial buying before the electricity wage award was announced. The full restoration of confidence will depend upon the government's economic and general policies in the coming weeks.

The brighter tone in the gilt-edged market did, however, spill over into the industrial market on Wednesday. Until then, equities had been rather ragged and were still being pulled one way and another by the steel companies' results. On Wednesday,

however, many of the leading issues were marked up, and over the week *The Economist* indicator, which includes Unilever and Shell, rose by 8.3 points to 355.5. In part this rise was encouraged by hopes that the United States might reduce its tariffs and by the fresh advance in equity prices on Wall Street. These dealings in Unilever Limited made a flying start and the further rise in its price on American buying was reflected in Wednesday's gain of 6s. 7½d. to a new peak of 53s. in London, but it fell back to 51s. 3d. on Thursday.

TRADE AND PAYMENTS

Disappointing—More or Less

BY accepting the Board of Trade's basis for comparing the trade returns for the three months to November, one can come to only one conclusion about them. Seasonally adjusted exports in those months were 1½ per cent lower than in the period from May to August; imports were 1 per cent higher. Over the first eleven months of the year, exports were 4 per cent higher than the average for 1960 and imports were 3 per cent lower. The run of higher exports and lower imports would therefore seem to have been interrupted before the

UNITED KINGDOM TRADE

(£ million per month; seasonally adjusted)

	Exports fob	Re-exports fob	Imports cif
1960 3rd quarter....	290	13	385
4th quarter....	295	12	390
1961 1st quarter....	309	12	385
2nd quarter....	305	13	363
3rd quarter....	309	15	357
1961 May.....	278	13	367
June.....	330	15	368
July.....	307	16	354
August.....	324	15	361
September.....	297	14	360
October.....	311	12	378
November*.....	305	14	360
Jan.-Nov.*.....	308	13	369

* Provisional.

true gap between exports and imports could be firmly closed.

But August was an exceptionally favourable month in which the crude trade gap was cut to £22 million. October was an exceptionally poor one in which a sudden rise in imports widened the gap to £55 million. The favourable returns in August have as much right to be included with the past three months as the three that went before, and that could alter the picture. Seasonally adjusted imports in November were £360 million cif, £9 million lower than the average for the first eleven months of the year. Exports, however, contracted to £305 million, £3 million lower than the eleven month average.

In November, the crude "gap" was reduced to £41 million, compared with an average of £48 million so far this year. The

third quarter in which the crude gap was narrowed to £34 million a month will therefore be, allowing for seasonal influences, the nearest Britain came to earning an actual surplus on its merchandise trade this year.

The Payments Figures

THE balance of payments estimates, which do not contain the major distortions that exist in the monthly trade figures, put the actual current account deficit in the third quarter of this year at £25 million. This is, in fact, a slight increase on the second quarter, but allowing for the adverse seasonal factors in both the visible and invisible parts of the account it seems that the underlying position probably improved. But despite the Chancellor's ministrations, government expenditure abroad is again up on the previous quarter, while net receipts from other invisible items

UK BALANCE OF PAYMENTS

(£ million)

	1960 III	1960 IV	1961 I	1961 II	1961 III
CURRENT ACCOUNT:					
Imports (f.o.b.)....	1,005	1,054	1,050	1,021	947
Exports (f.o.b.)....	859	945	982	981	912
Visible Balance....	-146	-109	-68	-40	-35
Government (net)....	-69	-73	-85	-86	-88
Other invisibles (net)....	+79	+73	+85	+111	+98
Identified Current Balance.....	-136	-109	-68	-15	-25
LONG TERM CAPITAL ACCOUNT (†):					
UK Official Long Term Capital.....	-15	-51	-23	+12	+3
Private investment (net).....	-36	+44	+48	-83	-69
Balance of Long Term Capital....	-51	-7	+25	-71	-60
Balance of Current and Long Term Capital.....	-187	-116	-43	-86	-85
BALANCING ITEM... ..	+115	+66	+72	+25	+125
MONETARY MOVEMENTS (‡):					
Overseas sterling holdings:					
(a) R.S.A. countries.....	-97	-97	-39	+163	+5
(b) Non-sterling countries.....	+226	+241	-131	-175	-208
(c) Non-sterling international organisations....	-57	-55	+4	-1	+538
Gold and convertible currency reserves.....	-77	-44	+75	+89	-279
Other monetary movements.....	+77	+5	+62	-15	-96
Balance of Monetary Movements.....	+72	+50	-29	+61	-40

(*) Provisional. (†) Assets: Increase—/decrease +. Liabilities: Increase+/decrease —.

have fallen. The current deficit in the first nine months of the year now amounts to £108 million. Compared with the third quarter of 1960, exports are up by £53 million, while imports have fallen by £58 million—an overall improvement of £111 million.

The outflow on capital account is somewhat lower at £60 million and this is mainly due to a drop in private overseas investment of £14 million. This is probably the effect of closer scrutiny by the Treasury, but it is still nearly double the figure for the corre-

sponding quarter of 1960. The monetary movements largely reflect the aftermath of the Basle credits and the drawing of £536 million from the International Monetary Fund. Repayment of the Basle balances helped to reduced the sterling holdings of non-sterling countries by £208 million and the IMF drawing increased the sterling held by the non-territorial organisations. On balance the gold and convertible currency reserves rose by £279 million. The balancing item in the accounts is £125 million and this high figure gives a partial guide to the inflow of hot money following the increase in Bank rate to 7 per cent.

OIL

Action in Iraq

IT had generally been guessed that the legislation promised by the Iraq government after its talks with the oil companies operating there broke down in October would restrict the Iraq, Basrah, and Mosul companies to the areas where they are at present operating. But few people had guessed that the line would be drawn so tightly round them as it has by the law published this week. During the discussions the companies had always argued that their producing areas covered between one and two per cent of the original concessions, and that the areas in which they had proven reserves made this up to close on four per cent. This week's decree appears to restrict them to areas representing no more than 0.44 per cent of the concession areas, though there is provision for them to be allocated up to as much again. That would still mean that Iraq would be seizing more than 99 per cent. (The figuring is fairly approximate until the schedules and maps appended to this decree are studied; in any case even the total area of the original concessions, like that of Iraq which they largely cover, is itself disputable.) In the southern area where the Basrah Petroleum Company operates, in particular, the first details of the area left to it, lacking the schedules and maps to follow, appeared to cut very close to wells actually in production.

Understandably, the companies have formally reserved all their rights to the whole of their concessions, which would imply the possibility of lawsuits against any entrepreneur obtaining a new concession in the area that the government plans to take over. The precedents here, as has been pointed out this week, do not all run the same way; but the likelihood of litigation may in any case be a deterrent. It might be argued, too, that a deep and developing world surplus of capacity to produce oil would hardly leave many people anxious to explore for more; but that argument may not take sufficient account of the economic and psychological drives that appear to motivate oil companies. Huge sums continue to be spent on exploration in

far less promising areas than Iraq, and companies continue to look avidly for opportunities to look for oil. On the other hand, anyone inclined to bid regardless of the possibility of litigation with IPC or its associates would still have to consider pretty carefully the Iraq government's demonstrated respect for oil concession agreements.

Understandably, again, the companies operating in Iraq are for the moment not saying whether they will or will not cut the present level of production. They hardly know the details of this legislation yet.

THE ECONOMY

Industry's Investment

THE expected slackening in the growth of private fixed investment did not seem to have materialised by the third quarter of this year. Provisional estimates by the Board of Trade show that, after taking seasonal factors into account, the volume of capital expenditure by the manufacturing, distributive and service trades rose by 5½ per cent to a new peak; this followed a rise of 3 per cent in the second quarter and a fractional decline in the first quarter. Admittedly, the increase for manufacturing industry alone, of 5 per cent, was slightly less than in the previous three months, but the decline earlier this year in spending by the other industries covered by the Board of Trade's inquiry was reversed.

(All figures in £ million at 1954 prices and seasonally adjusted)

	Quarterly	Manufacturing	Fixed Capital Expenditure	Distributive and Service Trades	Manufacturing	Changes in Stocks	Distributors
1959 I	175	144	-38	+7			
II	175	172	-26	+36			
III	175	162	+35	-4			
IV	182	189	+86	+18			
1960 I	195	182	+58	+22			
II	200	184	+114	+49			
III	223	182	+149	-5			
IV	217	194	+154	+1			
1961 I	231	178	+8	+55			
II	246	176	+29	+32			
III	259	186	+59	-58			

On the other hand, stockbuilding came to a standstill. Again eliminating seasonal movements, it seems that the volume of stocks held by manufacturers rose by a little over 1 per cent; but this was balanced by a fall of some 3 per cent in the stocks held by distributors, the largest quarterly fall recorded in this series of statistics which goes back to the beginning of 1957. Both wholesalers and retailers ran down their stocks a little, while the rise in manufacturers' stocks was spread more or less evenly over materials, work in progress and finished goods.

ATOMIC POWER

Sir Christopher Takes Stock

SIR CHRISTOPHER HINTON, chairman of the Central Electricity Generating Board and one-time member of the Atomic Energy Authority, has a special and continuing influence on the development of atomic power not only inside this country but far outside the British Isles. He must rank as the world's largest single customer for nuclear power stations and there is little that the Atomic Energy Authority can do to make him buy new designs if he does not like the look of them. This gives special weight to an article written by Sir Christopher in the current issue of the *Three Banks Review* which may raise the damp spirits of the industrial consortiums even if it does not exactly induce them to stand up and cheer.

Sir Christopher's argument is, briefly, that the massive nuclear power programme of the fifties was a mistake but a human one. For various reasons, some of them technical but some of them also financial, like dearer money, early calculations about the cost of nuclear power proved over-optimistic. He now says that electricity from the first commercial power stations is likely to cost not far off 1d. a unit, or about twice the cost of that from the CEBG's new thermal plants and the highest estimate yet given. The nuclear power programme might still have been justified if the expected shortage of conventional fuels had developed. But this did not—which means that uranium has to compete as an alternative fuel with coal or oil, and this it cannot yet do.

Sir Christopher believes that it may become competitive in the 1970s and he bases his argument on two grounds. First, he argues that electricity demands might take too much of the coal likely then to be available. As to oil he is surprisingly specific and cautious, reckoning that electricity ought not to rely on more than the products of British refineries, and that net imports of fuel oil might simply invite a higher excise duty. He believes that technical advances will in time bring the cost of nuclear power down to competitive levels, but he is cautious here about quoting chapter and verse. It would appear that Sir Christopher does not share the AEA's optimism about prospects for the second generation of advanced gas cooled reactors; their technical weaknesses are spelt out with uncompromising simplicity and—here industry will prick up its ears—he says flatly that the CEBG will go on ordering the old Calder Hall type of nuclear power station "interspersed" with orders for these newer, souped-up reactors. The rate at which he intends to order new nuclear power stations during the period when they are still obviously uncompetitive is not clear, but "one cannot expect to create a large industry by establishing a programme, to destroy that industry by slashing the programme and then to re-create it at one's convenience six or seven years later."

Pirates or Pioneers?

OF all the customs acquired from the Americans, perhaps the most intrusive and at the same time most accepted is the use of nationally advertised brand names for nearly all the goods we buy. This brings with it the recognition of specific, well publicised prices for these named goods—and hence the attraction of the price-cutter who can offer a “guaranteed bargain” in the form of a well-known product at a price lower than the published one. It was therefore inevitable that having succumbed to the power of branded goods we should now be copying the Americans again in seeking the advantages of “discount” shopping.

In spite of the legal rights of individual manufacturers to enforce the sale of their products at fixed prices, price-cutting in groceries has now become common—largely on the initiative of the big store groups and supermarkets. Few food manufacturers (Cadbury is one) still insist on maintaining prices. The sufferer in price cutting is not so much the manufacturer himself as the small independent retailer—with whom some manufacturers would rather deal than with powerful store groups. But independent grocers are now finding their own way of meeting the supermarket's pricing advantages by means, for instance, of buying co-operatives, and so they in turn are less inclined to urge their suppliers to maintain listed prices.

Only in the past fifteen months has a handful of retailers in this country begun to follow another American lead in pursuing this policy consistently in relation to branded clothing, toys, hardware and appliances. The American label “discount store” is used to underline the price-cutting intentions of these shops. They number only six so far—and the score would be even lower if a discount store is strictly defined as something more than a supermarket with a clothing and hardware section. But these stores are well in the public eye largely owing to the excellent news value of their brushes with price-maintaining manufacturers.

The usual retailers' margin on the selling price of, say, an electric iron or a man's shirt is about 30 per cent. On big electric appliances it is often more. There is therefore much more scope for price-cutting than in groceries, which carry about half this margin. The first full-blown discount store in Britain, Grandways of Leeds, in fact operates on a 17½-20 per cent margin on non-edible items. The discounters cut costs by applying supermarket techniques to all goods; self-service, minimum staffing and no service or free delivery of big appliances. Plentiful parking space is an essential adjunct to discount retailing, in order to encourage the bulk buying which turns the key to success in this type of selling—an exceptionally high rate of turnover. Premises are usually cheap; Grandways is housed in a converted warehouse in the suburbs with an annual rent of only £5,000, a tenth of what it would cost to be in the city centre. Victor Value, London Grocers' supermarket chain, have a discount store in a disused cinema on the bleakest edge of Romford; Buyright in Northampton was

once a factory. On the other hand, Tesco, the supermarketiers who were in the van of grocery price-cutting, have this week opened their first discount store in Leicester in an entirely new building, near the shopping centre, complete with multi-storey car park, filling station and restaurant. In the United States, connoisseurs are said to be able to distinguish twelve different types of discount store—Tesco appear to be taking as their model Korvette, the discount chain which, while offering rather more amenities than usual to the customer, tripled its volume of business to \$157 million a year between 1955 and 1960.

Sales by American discount houses in 1960 reached \$2.9 billion compared with a turnover of \$13.8 billion for department stores and \$3.9 billion for “variety stores” (Woolworth type). It is far too early to say how soon, if ever, the present handful of discount stores in this country will lead to an equally high proportion of retail trade in the discount business. Factors such as the extent and effectiveness of independent co-operatives are still imponderables. But it is certain that, in the short term, more breaches will be made in price maintenance in all kinds of non-grocery goods, leading quite possibly within the next couple of years to a breakdown if not an abolition of the system, and hence to much more widespread under-cutting.

How far are manufacturers really bent on sticking by their legal rights and the conventional retailer? Grandways, in its first seven months, cut prices on about a hundred branded items other than groceries. It had court injunctions from the makers of only five of them, and about fifty letters of objection, from mild to vehement. Some manufacturers may have shrunk from the bad publicity of an injunction. Many who objected said they were doing so in response to protests from retailers (one hardware firm known for its stern view of price-cutting maintains that 90 per cent of its retailers are behind it). Some threatened to cut off supplies—a sanction hard to enforce on the discounters who often buy through agents goods that are supposedly obtainable only direct from the manufacturer.

Other reasons given for opposing discounters are that lack of retailer's servicing of an appliance can give the make a bad name; that price maintenance keeps a “clear-cut” market (it might be expected that the more elaborate a marketing policy

a firm has, the keener it is likely to be to keep price-cutting in its own hands); and that anyway the public likes to know beforehand the prices of the goods it is buying. In defence of this last point it must be remembered that the survey published in the October issue of *Which?* suggested that, by a small majority, the general public was in favour of maintained prices for large consumer durables, but not for more frequently bought goods like food and clothing.

In a sticky appliance market the tiny group of discount stores has formed only a minute part of the real price-cutting which has been going on of late—sometimes under such guises as prematurely “old” models at cut prices or exaggerated trade-in terms. If this is allowed to lead to any marked degree of price-lowering all round, the long-term success of the discount stores will depend on their being able to remain appreciably lower still. In the United States it has been estimated that in 1954—four years after discount stores first appeared—they were getting 55 to 70 per cent of all the trade in more expensive appliances. The success of the discount stores here is almost certain to depend on their gaining a substantial share of this market, especially as clothing, the other main basis of the discount business in America, already has many good cheap outlets in Britain.

In the context of discount retailing, resale price maintenance is in fact a red herring, for more than one reason. First, it has distracted attention from the true function of the discount store—which is not to wage war with manufacturers but simply to sell standard products as cheaply as possible (in the United States discount shoppers are sometimes invited to strike their own bargains). Secondly, it at present helps to lure in the customer in the hope of a single unexpected bargain, whereas the discounter really depends on encouraging the habit of a weekly round of cheap shopping for all necessities, as one might use an old-fashioned street market. Evidence of “bulk shopping” is reported from the discount stores, but at present it seems to take place above all on Saturday, when the car is available. Until the British housewife is as fully “motorised” as the American one, discount retailing here cannot hope to reach the American level—though it has plenty of room for growth.

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Production under way 2 months before completion!

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One of the fastest construction projects ever carried out on Merseyside, this new £3½ million Fisher & Ludlow factory was built by Cubitts on a 50-acre site at Kirkby. Just 15 months from initial planning to completion—with sections of the factory being made available for machinery installation as they were finished! This allowed Fisher & Ludlow to start production of domestic appliances two months before completion.

Speedy construction was made possible only by precise planning and exact timing of every building operation: and 100% co-operation between the client, Industrial Estates Management Corporation for England, the architect, Cubitts and their 40 sub-contractors. At regular meetings they devised methods of streamlining operations using the most modern equipment, thus keeping construction time to a minimum and ironing out problems as they arose. This close collaboration resulted in the 17 bays of the main production building being erected in 17 weeks—half the normal time!



Mr. Philip Wyatt, Managing Director of Holland & Hannen and Cubitts (North West) Limited, says: "One of the most important industrial projects on Merseyside, the Fisher & Ludlow factory required a construction team able to build at speed with close attention to economy and quality. Detailed planning and co-operation at all stages between client, architect and contractor has led to early completion of this project. It demonstrates the advantages of working closely together with an efficient construction team."



Mr. J. R. Stanfield, Works Director of Fisher & Ludlow Ltd., Birmingham, says: "Teamwork has been the essential factor that has ensured the completion of this vast undertaking within the time scheduled. Large areas of the factory are devoted to specialized process plants involving complicated foundation work and numerous underfloor services. Only the closest of co-operation throughout between architects, contractors and our own planning and engineering departments has enabled construction to proceed without interruption."

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Cash and Copper

IN market parlance, Roan Antelope, one of the older Rhodesian copper companies is "in the Rhodesian Selection Trust stable." But the link is through management, and not by a large direct shareholding: what these two companies do have in common is American Metal Climax as their largest shareholder. Apart from that, they are in important respects dissimilar. RST controls developing copper mines, hungry for capital but starved of it by the political upheavals in Africa that have temporarily scared off capital from outside. Roan's reserves must be nearing the point when their prospective exhaustion becomes a market factor and it holds £10 million in liquid assets. The advantages of marriage between the two parties are obvious. The proper terms on which such a merger should take place are not quite as clear.

But in consultation with N. M. Rothchild and Philip Hill, Higginson, Erlangers, the two boards have reached agreement on how the merger should be accomplished:

RST will consolidate its 5s. units into £1 shares.

RST will make a one-for-ten scrip issue. Roan will be liquidated. Its shareholders will receive one new RST £1 share for every eight Roan 5s. units.

RST will raise its gross ordinary dividend from a prospective 1s. 3d. to the equivalent of 1s. 7.8d. a share on the old capital.

Considering the size of the bride's dowry, and the bridegroom's ability to make use of it, the settlement does not give an immediate impression of generosity. Moreover, RST in its desire to gain 100 per cent acceptance of its offer has, because of a quirk in Northern Rhodesian company law, decided to proceed by winding up Roan Antelope. For this, assenting votes from 75 per cent of Roan's shareholders present and voting, either in person or by proxy, at an extraordinary meeting to be held in Rhodesia, are required.

After the announcement, RST's units jumped 10½d. to 9s. placing a value of about 4s. 1½d. on Roan shares which previously stood at 4s. 7½d. Roan's assets at balance sheet values appear to be worth around 7s. a share. Its liquid assets alone amount to 3s. a share. It is true that Roan's net profits in the year to June 30th are expected to fall by some £750,000 to £2 million, while RST's profits should be virtually unchanged at about £3.4 million. On the strength of current profits, Roan shareholders would have received a gross dividend of 9d. a share compared with 1s. for 1960-61. If the merger goes through they will apparently receive nothing more. The only attraction of the merger to Roan shareholders is RST's prospective growth. Some of them might be rather more interested in being paid out on asset values—or at least in a further explanation of why this is not being pursued.

EUROPEAN ENERGY

Patterns of Protection

PROTECTION of domestic fuel industries against imports of low-cost energy is something that west European governments generally deplore and as generally do; across the Atlantic the practice is the same but less lipservice is paid to liberalism. In Essen this week the Europa Union organised a conference of experts from coal, oil, and other fuel industries to discuss whether and how we should go on doing it. Mr J. A. van den Heuvel, who heads the energy division of the OECD secretariat, was the only one of the three main speakers to maintain the traditional stance of the liberal reluctantly agreeing to a certain amount of temporary protection for weak fuel industries inside Europe. He pointed to the artificialities and distortions in the European energy economy that have resulted from past protective measures, and argued that "all interested parties are under an obligation to eliminate these distortions within the shortest possible time, and to do away with all merely transitional measures." Mr E. F. Schumacher of the National Coal Board, and Dr Paul Frankel, speaking as an oil consultant, were readier, in one case not surprisingly, to reckon with protection of the fuel industries inside Europe as a considerably less temporary recourse.

Mr Schumacher always unites with his professional interest in coal a gently sceptical attitude towards fuel forecasting, copy-book economics, and the materialist aspirations of the western world—though this week he was content to take some fairly optimistic forecasts of Europe's consuming need for energy to back his view that all the fuel capacity that the region can reasonably keep in being may be required. Dr Frankel began from the point that western Europe would in fact go on protecting its domestic energy industries, and addressed himself to the least economically harmful ways of doing it. He is against fuel customs or excise duties, arguing that these might simply tempt foreign producers to jack up their prices. Subsidies to high-cost industries, on the other hand, he reckoned as economically neutral, and offering some possibility of actually improving efficiency. The solution he would choose is import quotas, though he admitted that these could involve a complicated and cumbersome system of controls. He would advocate these as part of "an active European policy," using them not only to protect home production against low-cost imports but also, if necessary, to defend this consuming area against concerted action by the oil producing countries. This would certainly discard any pretence of liberalism.

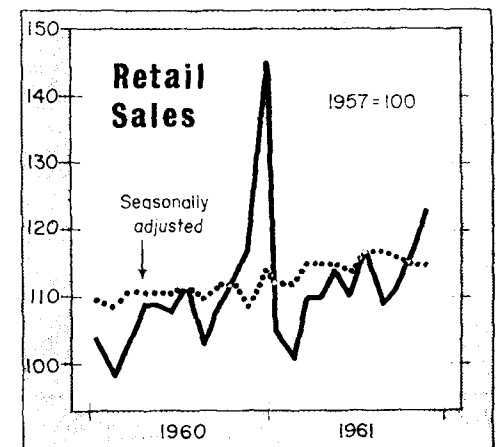
CHRISTMAS SPENDING

Another Record?

EVERY December, storekeepers grumble that Christmas sales are dragging; after Christmas they are surprised to dis-

cover that they reached new records. This year seems likely to be no exception to the ritual. Last month retail trade showed no slackening; this month, once Christmas spending got under way it seems to have been as hectic as ever.

A partial guide to Christmas spending is provided by fluctuations in the note issue, although as more people pay their bills by cheque or use credit accounts this guide becomes less useful. Each year since 1950 the demand for notes at Christmas has pushed the issue to a new record. The



general upward movement over the years has taken the note issue from £1,358 million in the Christmas week of 1950 to £2,438 million by December 13th of this year. While this is a record level the increase since the middle of November of £121 million is somewhat smaller than in the previous two years when rises of £127 million and £124 million were recorded. However, the peak increase in the note issue has moved nearer to Christmas, which bears out the reported change in shopping habits, and this week the issue rose by £50 million.

Christmas also means that people dig into their savings. The only firm figures are those of the National Savings Movement and the savings banks take the full force of the repayments before Christmas. Net repayments by these institutions in the week ending December 2nd were £7.4 million, compared with £3.5 million in the same week of 1960. Total new savings in that week of 1960, however, fell by only £154,000 compared to this year's £5,800,000.

AIR TRAFFIC CONTROL

Which is the Right Way?

THERE is nothing automatic about the way that air traffic is monitored at present through the skies and in and out of crowded airports; it is done by shirt-sleeved men at the centre of a web of radar screens, telephones and teleprinters, where the last major technical advance was the replacement of the pencil stub by the ball-point. Some controllers, like some jugglers, are capable of manipulating a larger num-

ber of aircraft than others; but the finite limits of the system are set by the ability of each controller to let his colleagues know what he is doing so that their aircraft do not risk collision with his. The number of controllers working side by side cannot be multiplied indefinitely because at some point communications between them will break down.

Unless the growth of air traffic is to succumb to congestion, electronic computers will have to be introduced into the control towers, where they can take a great deal of the mathematical drudgery of calculating that two aircraft are not on collision course off the shoulders of the human controllers. The first steps were taken in Holland some years ago. A computer was delivered to Schiphol airport at the beginning of this year and has been working as part of the normal air traffic control system there since the middle of the summer. The Ministry of Aviation here has just taken delivery of one computer and has a second on order but it has bought these only for experiment. The Dutch are building up towards a fully automatic system of air traffic control which all but eliminates the human controller by

BUSINESS NOTES

three clearly defined steps, running in each one before moving on to the next. But the Ministry appears to be planning for a series of experimental lash-ups before deciding the ideal lay-out for a fully-automatic air traffic control system for this country.

The Schiphol Experiment

It is difficult to tell which is the tortoise and which the hare. The Dutch believe that an air traffic control system centred on computers must be designed and bought as a single package. They do not believe that it is possible to buy a computer as the Ministry has done and then decide what apparatus needs to be built up around it. The Schiphol installation is, rightly or wrongly, highly specialised and inflexible by computer standards. An air traffic controller has to work out (in his head and on his fingers) where an aircraft is going to be at any given time if it flies according to the plan filed by the captain, whether that course will bring it into collision with any other aircraft, and what to do if the answer

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is "yes." Logic plays a sizeable part in finding the answer. The Schiphol computer has therefore more than the normal business computer's capacity for making logical deductions; it operates on a fairly complicated system of algebra and at speeds higher than those of ordinary business computers (as do the two ordered by the Ministry of Aviation—automatic air traffic control could not be introduced until these "second-generation" machines were available).

At present, the Schiphol installation does nothing more exacting than calculate the flight paths of aircraft—something which the controllers thought they could do as well in their heads until the computer was shut down for a week to teach them a lesson. This incident also demonstrated the desirability of introducing the system by stages. The next stage, which should be in full operation in 1963, will leave computers to calculate whether these flight paths are safe or dangerous, and to suggest alternatives. By 1965, computers will be linked with radar in such a way that they will be able to handle the whole business of air traffic control.

A Measure of Research

SERIOUS literature on industrial research is growing rather more slowly than are pious exhortations to do more of it. The latest addition to the former comes from the Federation of British Industries,* which questioned a large sample of its members on their research spending and practices in the summer of 1960. It does not change the impression of the total outlay of industry on research that the studies of the Department of Industrial and Scientific Research have provided—about £250 million a year in 1958-59. And it inevitably retraces some of the same ground; in its talk of a shortage of scientists, it exposes the delay in its publication. But it does provide more detail about the different practices of the various industries, and the nature of the work done—even though it is hard to take very seriously the information that nine per cent of the research done outside the aircraft industry is "basic" research. Ideas about what constitutes basic research can vary so much that this is a question that was hardly worth asking. The aircraft industry, on this showing, is among the industries that show least interest in basic research, along with such other heavy spenders on research as the instrument makers.

That some of those industries now being castigated for doing too little research had already begun to try to improve their status during the 1950s is shown by the rate of growth of research staffs between

1950 and 1960. Apart from tobacco, which had special reasons for becoming interested in research in this period, the fastest expansion was in the building materials and shipbuilding industries—more than six-fold for all three, when industry as a whole doubled its staffs, and in the case of shipbuilding, a rise of from only 37 people to 261. In terms of expenditure on research in relation to total employment, shipbuilding still comes at the bottom of the list of any engineering industry that might be called based on technology. Machine tools, on the other hand, showed the slowest rate of growth in research staff—38 per cent—but still was near the average for engineering in its expenditure related to employment, and better than the average for all industries, if aircraft are excluded. The vehicle industry was another that increased its research staffs more than most, though it still spends rather less than the average.

THE really big spenders on research, the chemical and electrical engineering industries, expanded their research staffs less than the average. The tendency for research to become more widely spread amongst the different industries, which seems to be what is wanted by most of those who exhort industry to do more research, therefore seems to have established itself. But it is intriguing to learn that two chemical companies which employ more than 2,000 people did not found their research departments until after 1946.

The FBI and its helpers, the National

Institute of Economic and Social Research, do not make the mistake of assuming that there are anything like similar prospects for getting results from research in all industries. But they do remind industry that where little research is being done, the firm that starts doing some may be well rewarded—as was Tootal Broadhurst Lee. Looking at the figures the FBI has collected, one is left wondering what there can be in common between the research of the machine tool industry, where 14 per cent of the research staff are qualified scientists or engineers, and no basic research is done; and research in the chemical industry, with 28 per cent of its staff qualified and 12 per cent of its research basic.

Innovation can as well be achieved by buying ideas or new products as by trying to create them—though, *pace* the nine per cent of basic research, little that is done in most industrial research laboratories seems to deserve to be called creative. The FBI found that there seems to be no rule that companies that do much research do not buy ideas from others. Though some big companies did not reply to this question, those which did in the electrical industry paid out £865,000 in royalties and in the chemical industry £651,000. These sums are insignificant in relation to the total research spending of these industries; where little is spent on research—as in shipbuilding—though royalties amounted to only £204,000, they were equal to over 40 per cent of research expenditure. Here they do seem to have replaced research; but those who think that an industry must develop all its own products must prove that this will be more profitable.

* Industrial Research in Manufacturing Industry, 1959-60.

THE ECONOMIST DECEMBER 16, 1961



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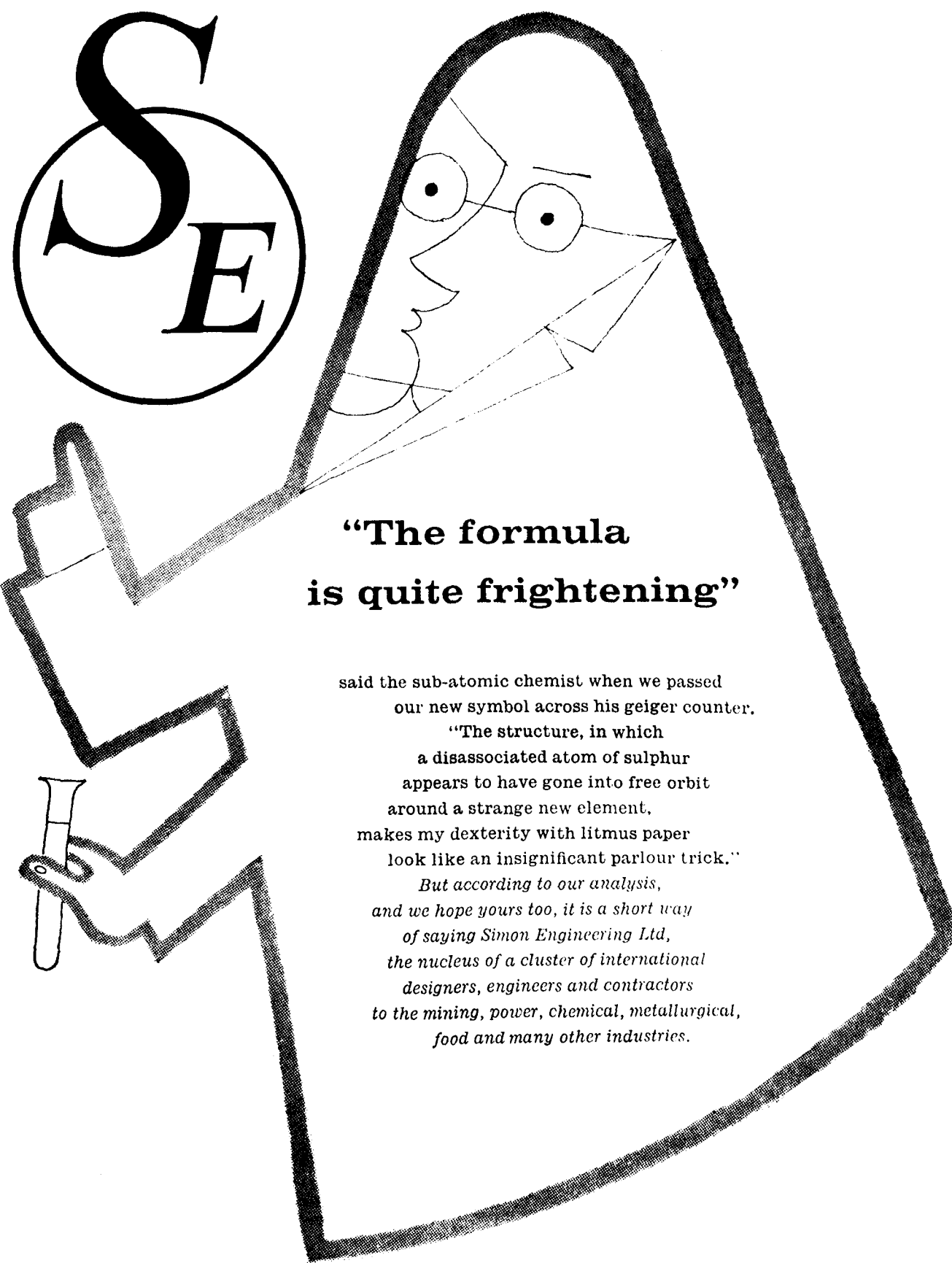
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A reason for the apparently greater sense of urgency in Europe, where the system ordered for Schiphol is being considered for wider application, is the nerve-racking presence of large numbers of military jets playing cats' cradles among the airliners. This is also an American pre-occupation. A computer large enough to keep tabs on all the aircraft in its zone all the time promises to provide the best method yet of avoiding collisions, and of ending at the same time the irritating system of air lanes that crowds airliners together in narrow segments of air and prevents them from flying from A to B by the shortest possible route, as any airline route map will show. Automatic installations of this kind are likely to cost airports in the future from £500,000 to £1 million to install, according to their complexity.

SUGAR

Beet Generation?

THE struggle to preserve some semblance of an international sugar agreement was unresolved when this issue of *The*

Economist went to press. After an adjournment since October 23rd, delegates returned to the sugar conference in Geneva with unchanged minds. Cuba asked for an export quota of about 7 million tons and appears to have stuck to its original demand. "The rest" seem to have been unwilling to compromise further. It is not clear whether the communist countries supported Cuba, but some East European exporters appear to be more dependent upon the free market than most producers in the west who can usually fall back on a guaranteed market somewhere for part of their production.

With no export quotas fixed for the coming year, supporters of the international agreement appear to be defeated, but they are clinging determinedly to any vestige of the international agreement that can be retained and are currently exploring how co-operation in sugar matters can be continued. In the free market, sugar at £21½ a ton was already at its lowest point since the war before the sugar agreement foundered. This market provides the sweet chaos of Cuba shipping cane sugar to Poland and Poland agreeing to ship beet sugar back across the world to Chile. Current export

quotas under the international scheme have a fortnight to run for those who have not already exceeded them. After that anything may happen, and in sugar it often does.

In 1880, when world production of sugar was about four million tons, it was derived in almost equal parts from sugar beet and sugar cane. By the end of the century, world production reached eight million tons and sugar beet was responsible for 65 per cent of it. When output grew to 22 million tons in the 'twenties, cane sugar accounted for 60 per cent of the total, but before the outbreak of war in 1939, protected farmers in the northern hemisphere had cut cane's proportion to 57 per cent. Since the war, both beet and cane have advanced rapidly, but cane sugar has expanded the faster. In 1960, a leap in sugar beet production restored the loss and it seemed that the prevailing blend of politics and dubious economics might strengthen sugar beet's challenge. But after weighing the technical and other factors, the German firm, F. O. Licht, believes that the battle between cane and beet, like the struggle for a workable international marketing agreement, is still far from decided.

GRAIN

The Surplus Cereal

ANYONE who solves the problem of a surplus grain production will tower above Solomon in the annals of history. Distortion of trade in temperate foodstuffs has been possibly the most damaging of modern malpractices. The restricted market for grain exports is one cause of the relative stagnation of Commonwealth trade and, consequently, of Britain's poor export performance. It has also embittered trade relations between primary producers and industrialised countries. Some of the utterances of Mr McEwen, the Australian trade minister, on the subject have been far from temperate. If wheat does not now stymie the common market, Britain's entry into it and the all-round reduction in tariffs proposed at Gatt, it will be a close thing.

It is unkind to the International Wheat Council to recall that before it was set up in 1949 to regulate trade in wheat, no surplus existed. The council was preaching moderation in protection for farmers long before trade ministers rediscovered the principle at the recent meeting of Gatt. But its teaching fell on stony soil: since its inception, the international wheat agreement has been unable to prevent the trade from gradually atrophying into a disposal programme instead of a commercial proposition. If, as it ought to be, much of the wheat production in most industrialised countries were classified, together with bilateral trading arrangements, as non-commercial, the "liberalisation quotient" of wheat would be so low

that ministers would be ashamed to discuss it at Gatt.

Their discomfiture will not be lessened by the French minister's suggestion that exporters of wheat to wealthy and highly developed countries should receive a standard price equivalent to the production price in those countries. But the majority accepted a proposal that a group should begin in February a study of possible methods of introducing an "orderly" system for the marketing of cereals. Mr McEwen for Australia was the first to express wholehearted approval and threw grain surpluses into the discussion for good measure. The suggestion did not apparently appeal so strongly to Mr Erroll for the Board of Trade who paid the International Wheat Council the compliment of mentioning this "tested" (but not, it seems, fully trusted) device and the risk of abandoning existing techniques before practical alternatives have been worked out.

By coincidence this tested device—and the common market's agricultural negotiators—were in session at about the same time. The IWC in accordance with its articles made its third review of the world wheat situation and apparently encountered a little more difficulty in framing its report to member governments than had been expected. The current agreement expires at the end of June and a new agreement is to be drawn up in Geneva at the end of January. By that time a simple guide to what is going on in wheat will be

of use both to officials and bystanders.

One matter not in doubt is that world production of all the major grains will probably be lower this season than last. International trade in most of them should be greater, so that existing surpluses should be considerably lightened before the start of next season. Prices have already responded; barley, for example, has risen well above the £20 a ton minimum import price fixed recently by the Board of Trade. The price of Canadian wheat in London has reached its highest level since 1957, though current European prices partly reflect an increase of about 10s. a ton in freight rates. Canadian No. 2 Northern Manitoba wheat has improved to £29½ a ton and has been held below replacement cost by sales from stocks acquired earlier by dealers at lower prices. But forward sales increased, which suggests that many buyers thought that prices might edge still higher. There are grounds for establishing a higher maximum price under the new international agreement.

After the halving of Canada's wheat crop this year, the moisture level on the prairies is still abnormally low, and unless spring rains are abundant, next year's crop will be in jeopardy. The only consolation for Canada in this year's near disaster was the exceptional quality of the smaller harvest, but price differentials between grades are not large. Despite the "alleviation in the world wheat situation" brought about this year by weather, and the drive in the United States to reduce wheat acreage, the IWC is not too sanguine about the prospect. The underlying causes of excessive production remain and they will not be removed without large adjustments to production incentives and trade policies.

COTTON TEXTILES

No Supplementaries

THE President of the Board of Trade said last week that the Government does not intend to restrict all imports of cotton goods into this country. Import ceilings have already been fixed for Asian members of the Commonwealth, which on the Board's own reckoning are entitled to supply 85 per cent of imports of grey cloth that are retained in this country. Within the past month, Formosa's exports to this country, which were running at the exceptionally high rate of 30 million square yards a year, have been cut by agreement to an annual rate of 12½ million yards until the end of 1962. Spanish exports had risen to about 60 million yards in 1960, but have now been cut back to 70 per cent of that level. The arrangements with the Spanish exporting organisation also cover exports of cotton yarn.

Japan's quotas have been extended pending the conclusion of trade discussions, and imports from China and other communist countries are also subject to licensing arrangements. Most of the remaining suppliers are members either of EFTA or of the common market. If the Government does not, in fact, intend to place limits on all imports of cotton manufactures, its arrangements will evidently not fall far short. As a result of the Government's intervention in the negotiations with the Hongkong cotton industry, the ceiling for exports of cottons from India, Pakistan and Hongkong was raised from 377 million to 423 million square yards a year. Supple-

mentary quotas were to be granted if retained imports from other sources reduced the exports of Asian members of the Commonwealth below the 85 per cent "target."

Import figures are examined every three months. The first review has just been completed: imports during the third quarter of this year fell sharply, the Commonwealth countries' basic quotas were greater than the "target" and there will therefore be no supplementary quotas for them in the first three months of 1962. Britain has now accepted, subject to unspecified "understandings," the temporary Gatt scheme for controlling international trade in cotton textiles. Its signature also binds Hongkong, which has bowed grudgingly to pressure to limit its exports, particularly to the United States.

This week, a committee began work in Geneva on a long-term international agreement on cotton goods to succeed the temporary arrangements that lapse at the end of September next. With so much restricted, and the cotton industry here suffering one of its periodic bouts of indigestion, there seems no great chance of any supplementary quotas for Commonwealth producers just yet. Should imports recover, Lancashire has a useful longstop in the clause in the Commonwealth agreement that rules out any supplementaries unless the British weaving industry has at least 15 weeks' work on its books. Supplementaries are allowed in full only when order books are stretched to 20 weeks. But in the present circumstances, Commonwealth producers are probably quite satisfied with their enlarged basic quotas.

THE BILL MARKET

Surprise for the Syndicate

LAST Friday the syndicate of discount houses discovered how easily the walls of a traditional preserve can be trampled down by rough outsiders. For the first time ever the syndicate received no 63-day bills at the allotment following the Treasury bill tender. These bills, introduced in 1955, are designed to ease liquidity in the new year tax-paying season and the market's allotment is usually above 70 per cent and very often in the 90 per cent range. As a result the market has come to view the 63-day bill with a proprietorial eye and apart from the Bank of England bidding on behalf of its own customers, other outside interest in the bills has never been great.

Last week's upset occurred because of a combination of circumstance. First, the Treasury reduced the number of bills on offer from £50 million to £30 million; secondly, the discount syndicate, in chasing the 91-day bills, had allowed the respective yields of the two usances to drift dangerously apart; and thirdly, outside bidders, mainly business concerns with spare cash, have become increasingly sophisticated about their short-term investments. It seems that one or more of these outsiders decided to switch to 63-day bills and take the extra

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yield of nearly ½ per cent for two months rather than stick to the lower yield on the 91-day bills for three months, and the market's unchanged tender price of £99 1s. 2d. for the 63-day bills was undercut by the outside applicants.

FISHING

Hands across the Humber

MERGING Associated Fisheries' fleet based on Grimsby with that of Hellyer Brothers, whose home port is Hull, Sir Hugh Fraser has done for wet fish something akin to what he had previously accomplished for department stores. He has created the largest fishing fleet in Britain—or for that matter in the free world—with 115 vessels. Associated is offering 2,065,583 of its 5s. ordinary shares for all the capital of Hellyer Brothers, a private company which, apart from its own fleet, controls that of Kingston Steam Trawling Company through a 52½ per cent holding in its equity. Following an abortive bid the Ross Group, Associated's major rival, now owns 26 per cent of the Kingston equity. Ross and the other minority holders are being offered eleven 5s. Associated shares for every four £1 Kingston ordinary shares they hold. In all, the operation might involve the issue of three million new shares worth £4½ million at the current price of 29s. 9d. for Associated's units.

Ross made its bid for Kingston eighteen months ago. Then it made an offer for Associated in January and this bid seems to have misfired badly. Sir Hugh Fraser subsequently joined the board of Associated Fisheries and the result has been an expansion by Associated that has tweaked Ross's nose. Currently, most fish is auctioned from a common pool on landing, with only a small proportion bypassing the auctions. Working within the pricing and auction arrangements, the links between Associated's trawlers and its thriving subsidiary, Eskimo Frozen Foods, could be strengthened. This side of the business has expanded rapidly and Eskimo now holds 10 per cent of the British market for frozen foods. It can now look Findus and even Unilever's "Bird's Eye" in the eye. More fish could undoubtedly be handled in this way.

One reason for the merger may lie in the high cost of the new methods that are being introduced into the industry. Ross's "Fairtry" processing ships and Associated's big trawler "Lord Nelson," which is equipped with freezing facilities, are costly investments. A large group should be better placed to develop these new techniques. The intention of the Government's subsidy proposals is that the fishing industry should eventually be self-supporting. Hellyer and Kingston earned gross profits of £431,000 in 1960-61 and those of Associated amounted to £590,000. In the current year, Associated expects to earn £885,000, excluding the Hellyer interests, and to maintain a dividend of 25 per cent.

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SHIPBUILDING

The Hard Sell in Ships

NEXT to selling sand in the Sahara, one of the most difficult things to do is to sell a ship to a Swede. The Swedish shipbuilding industry is one of the best organised and most efficient in the world, and millions of pounds are being spent on completely revolutionary methods of building ships. This expenditure of capital, in the present state of the international shipbuilding market, may or may not pay off, but it has a certain amount of built-in insurance in the sense that the Swedish shipbuilding industry is largely under the control of Swedish shipowners. This does not mean that the country's shipbuilding activities are confined to the building of ships for Swedish account. On the contrary, Swedish yards have enviable order books with many contracts for foreign and international account, particularly for large tankers and bulk dry-cargo carriers.

It is therefore of more than passing interest that a Swedish concern Grangesberg-Oxelösund Trafik A/B should have placed an order with a British shipbuilding firm, worth over £500,000, for three 1,600-shp shiphandling and salvage tugs. The firm concerned, Seawork Ltd., has control over two small shipyards in Appleton, Devon, and Gateshead-on-Tyne. Being a comparative newcomer in the industry, it is not a member of the Shipbuilding Conference; but it seems to have been able to produce the goods. From the two small shipbuilding yards at its disposal it is now producing small ships, such as tugs and trawlers, worth something like £3 million per annum, of which at least two-thirds is for export, to countries like Sweden, Poland, Canada, Australia, Ghana, Belgium and Pakistan. To do this it has built up a high-powered force of technicians and salesmen, the cost of which is formidable judged by normal standards; but this is offset to some extent by a lower general level of overheads in the two shipyards. There are two points to be noted in this context. One is that expenditure on technical ability and salesmanship, coupled with plain good workmanship and organisation, will win contracts for Britain from overseas in the face of intense competition. The other is that there was no question of this purchaser asking for exceptionally favourable credit facilities.

HIRE PURCHASE

A Shabby Affair

THE law of hire purchase is a muddle and out-dated. Last Friday a private member's bill, discussed in detail in *The Economist* last week, was talked-out of Parliament and so failed to get a second reading. The bill was not put forward as a comprehensive measure but it suggested

BUSINESS NOTES

some logical first steps towards reform and at least gave the Government an opportunity to give a firm commitment on comprehensive legislation once the Moloney committee had reported. Mr W. T. Williams, whose bill it was, must feel acutely disappointed at this treatment of a bill whose limitations he recognised and was anxious to amend.

In this matter, the Government must be criticised on two counts. First, it recommended that Mr Williams's bill should be rejected without holding out any clear hope that the report of the Moloney committee on consumer protection would be immediately followed by legislation. Mr Niall Macpherson, Parliamentary Secretary to the Board of Trade, had the effrontery to "commend to the House the virtue of patience," and offer the conjecture that the delay between the Moloney report and legislation would not be as long as the one that has followed the Hodgson report on weights and measures—which has reached its scandalous eleventh year. And it may be

added that the Government's failure to produce the promised legislation to regulate the acceptance of deposits by hire purchase companies and others is hardly less scandalous.

Secondly, the amount of thought that the Board of Trade has bestowed on hire purchase seems to have been lamentably small. The Finance Houses Association, as an interested party, prepared a brief for MPs setting out its objections to Mr Williams's bill: the association did not perhaps expect that its brief would form the substance of Mr Macpherson's speech. But it seemed wise of him to stick so closely to it, for on one occasion when he left it he plunged into fatuity:

If hire purchase were not generally satisfactory to customers now, we would not have at the present time a hire purchase debt of no less than £942 million.

By the time the Moloney committee reports, the total of HP debt will in all probability have grown further. And will that prove how increasingly satisfactory things are in hire purchase?

SHORTER NOTES

The Chancellor of the Exchequer is likely to make his long awaited statement on decimal coinage on Tuesday, in answer to a Parliamentary question. This week a private member's bill to provide for the switch to decimals received its formal first reading. It is to be read a second time on Friday, May 4, 1962.

We apologise to readers who may have wondered, after reading the business note on central heating last week, how it could cost £100,000 to instal it in their home. For a cost of "from £15 to £63 per square foot of floor area heated," read cost per 100 square feet.

Lord Ritchie, the chairman of the Stock Exchange, has expressed his anxieties to the Chancellor about the effects of a capital gains tax on the marketability of securities in London with particular reference to the raising of capital for industry and the position of London as an international market.

Trading profits of Radio Rentals rose sharply in the year to August 31st from £5½ million to £6½ million while the ordinary dividend has been raised from 20 to 22½ per cent. Its expanding business is reflected in the increase in depreciation from £3.4 million to £4.2 million so that with a higher tax charge net profits have fallen slightly, reducing the dividend cover to 2½ times.

For the seventh successive month net sales of unit trusts exceeded re-purchases in

November. Total sales amounted to £2,760,000 and repurchases were only £812,000; sales were helped by five offers including a block offer from Crosby Income.

New orders placed with contractors during the third quarter of this year showed little change from the high level of the past year. A fall of £9 million since the second quarter in orders for new houses from private developers is attributed to seasonal factors. The reduction in new commissions received by architects would not be expected to affect figures of new contracts until around the end of the year.

The trading profits of Associated Engineering fell by 13 per cent in the year to September 30th from £4,517,000 to £3,934,000 and the total dividend of 13½ per cent is the same as that for 1959-60 after allowing for a one-for-two scrip issue.

COMPANY AFFAIRS

Comments on pages 1174 and 1175 on:
ICT Watney Mann Property
Flowers Bass, Mitchells & Butlers
Tube Investments Tanganyika Concessions
A C V Barclays DCO
Mercantile Credit
Comments on page 1150 on:
Colvilles Stewarts and Lloyds
Whitehead Steel of Wales

LONDON AND NEW YORK

Stock prices, yields and security indices on pages 1176 and 1177

LONDON STOCK EXCHANGE

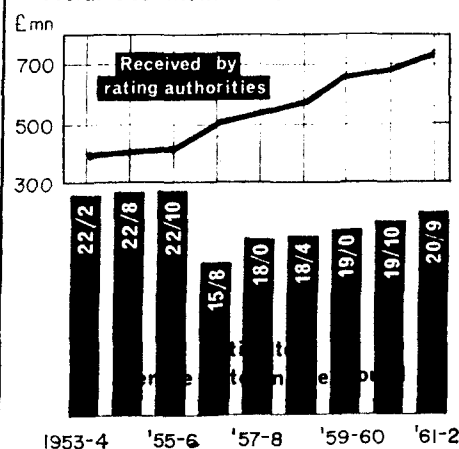
The week's movements reported on page 1175

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1178

RISING RATES

Rates went up in 1961-62 in all but 283 of the 1,466 areas of England and Wales; by 5 per cent or more in half of them. The estimated amount of rates collected per head of population is £15 18s.; 21 shillings more than in 1960-61. Bournemouth's rate, now 14s. 6d., is again the lowest for county boroughs and Merthyr Tydfil's 28s. 6d. the highest. The lowest rate for urban districts is 16s. 6d. in Tickhill, West Riding, the highest is about 30s. in several Monmouthshire districts.



COMPANY MEETINGS

Glaxo Laboratories report increase in Group's world-wide trading

PRICE REDUCTION BENEFITS TO N.H.S.

Sir Harry Jephcott's Review

The twenty-seventh annual general meeting of Glaxo Laboratories Limited was held on December 11th in London, Sir Harry Jephcott, DSc., FRIC., FFS., presiding. The following is an extract from his Statement circulated to members with the Report and Accounts for the year to June 30, 1961:

The present Company structure is such that Glaxo Laboratories Limited is not only the largest trading unit in the Group but is also responsible for the operations of the Group generally. As a result of the growth of the Company's operations overseas, and the addition of Allen & Hanburys Ltd., Evans Medical Ltd., and The Murphy Chemical Company Ltd., the Group now comprises more than sixty subsidiary and sub-subsidary companies.

Your Board has come to the conclusion that a stage has been reached at which a defined Group structure is essential in order that the Company's business may be conducted more effectively and with greater expedition. To that end it is proposed that the Company change its name to Glaxo Group Limited, and that a new subsidiary company, Glaxo Laboratories Limited, be formed to carry on the manufacturing and trading activities which have always been conducted under that name. The same Directors who have been concerned with these activities in the past will so continue except that Mr H. W. Palmer will in future, as General Manager of Glaxo Group Limited, be exclusively concerned with Group responsibilities. Dr F. J. Wilkins will become Chairman and Managing Director of the new subsidiary company, Glaxo Laboratories Limited, with Mr O. F. Morgan and Mr W. J. Hurran as joint Deputy Managing Directors.

At the same time, research and development directed towards future products and new processes of manufacture will be the responsibility of another new subsidiary, Glaxo Research Limited.

The Stock Exchange, London, has been consulted and I am able to inform stockholders that stock certificates issued by the Company under its present name remain valid and will not need to be exchanged.

TRADING CONDITIONS

It is pleasing once again to be able to report expansion in the Group turnover. Excluding sales made by Evans Medical Ltd. (which only joined the Group during the year), Group turnover increased by 7 per cent, the larger part of this increase being in the second half of the year. There is some slight evidence of seasonality in the Group sales, in spite of the world-wide trading.

The competition that we have experienced, particularly in export markets, is clearly demonstrated by the fact that, in spite of this increase in turnover, trading profits before tax, and excluding Evans Medical Ltd., showed a decrease of 4 per cent which, by reason of the increase in profits tax, leads to a reduction of 8 per cent in profits after tax.

During the year the Group has expended £1,800,000 on the improvement and extension of manufacturing facilities. Two-thirds of this expenditure was overseas.

THE HOME MARKET

Glaxo Laboratories Limited. In conformity with the Company's long-established policy the prices of Glaxo pharmaceutical products have been reduced as process improvements and consequent reduced production costs have made this possible. Other reductions have been made in accord with the Voluntary Price Regulation Scheme which was agreed to between the industry and the Ministry of Health in 1957 and renewed with modifications in December last for a further period of 3½ years. The price reductions we have announced during the calendar year 1961 will be of substantial benefit to the Ministry of Health—we estimate not less than £500,000 in a full year.

Allen & Hanburys Ltd. This company is to be congratulated on achieving pharmaceutical and surgical sales in excess of those of any previous year; in spite of substantially higher operating expenses the overall profit was appreciably higher than last year.

Exports have continued to increase and the merging of Glaxo and Allenburys activities in certain overseas markets has proved advantageous.

Evans Medical Ltd. There was little change during the year in the relative proportions of the main divisions of the business—ethical pharmaceuticals, standard drugs, veterinary products and wholesaling operations. Overall, sales and net profits increased. Approximately one-half of production was again sold overseas and further licences were granted to foreign manufacturers to manufacture under royalty.

The Murphy Chemical Company Ltd. This company continues to maintain its dominant position with commercial fruit growers at home, but the potentialities of the agricultural market have not been neglected. A new weed-killer for use in the cultivation of sugar beet shows considerable promise.

OVERSEAS

Progress continues in the development of our subsidiary companies overseas, which are an increasing source of Group strength and income.

THE NATIONAL HEALTH SERVICE

Of recent months there have been many references in the press to the cost of drugs for the National Health Service. In order to acquire certain drugs on more favourable terms for the Hospital Service, the Minister of Health has invoked the provisions of Sec. 46 of the Patents Act that permits, for the service of the Crown, the avoidance of the monopoly granted by the issue of a patent.

One cannot but regret the nature of the action he has taken. Within it are the seeds of serious difficulties: what may be a short-term advantage

for the Health Service may, in the long term, become a disaster for the industry.

If the drug manufacturing industry of this country is to maintain its competitive position in export trade, it must be assured of the basic demand for its products which the requirements of the home market represent, otherwise it will not be able to spread the high overhead costs, an essential feature of the industry, over a large enough output to ensure a competitive manufacturing cost. Its future is hazardous indeed if it is to be denied the important use of its products in the hospitals of this country by purchases overseas in an avoidance of the patent protection which has been granted by law. The Ministry of Health may save money by the acquisition of drugs from abroad at marginal prices, but the country's economy will lose more than the Ministry gains.

The protection which the patents system provides is essential if the drug industry is to continue in a healthy condition, not only today but in the future. The monopoly which the patent system grants must be of adequate duration to encourage research and to enable research to be continued upon a scale adequate for the industry to maintain its competitive position in world markets. Further, when the cost of research has been met, the industry must still make sufficient profit for its well-being and further development.

The duration of monopoly appropriate for this purpose will vary; for a product of wide application it might be a period substantially less than the present 16 years.

For others, when the cost of research might be high but the application of the product, although important, is a restricted one, a longer period would be necessary to encourage and adequately to reward research. This does not appear to me to present an insuperable difficulty. Under Sec. 35 of the Patents Act a patentee may apply for his patent to be endorsed "Licences of Right", and a would-be user is entitled to a licence under a patent so endorsed upon royalty terms that, if not agreed, are determined by the Comptroller of Patents. It would not be unreasonable to impose the condition that patents for drugs be endorsed "Licences of Right" after a period of years appropriate to any particular drug. By this device the patentee would secure the full benefit of his patent monopoly for a restricted period but would continue to receive a royalty income for the full life of the patent. A stage would thus be reached in the life of a commercially important monopoly at which freer entry into the market would result in competition and a "fair and reasonable" price would be determined in the open market.

In the conviction that the foregoing is the proper course to follow, each UK patent held by our Group is reviewed from time to time and is usually endorsed "Licences of Right" within ten years from its date of grant.

THE FUTURE

As Stockholders it is your understandable desire that I should indicate what the future may hold for us.

The most I can say at this time is that no dramatic change in our circumstances—favourable or the reverse—can clearly be predicted. There is the prospect of keen competition and finer profit margins. It will be our endeavour to meet these adverse indications with increased turnover and I am hopeful that we shall succeed. At all events, during the first three months of

CONTACTOR SWITCHGEAR LIMITED

SUBSTANTIALLY HIGHER OUTPUT

The twenty-fifth annual general meeting of Contactor Switchgear Limited was held on December 11th at the Victoria Hotel, Wolverhampton, Mr H. Rayner (the Chairman) presiding.

The following is his circulated statement:

It is a pleasure to present the Accounts for the past financial year, and to report an improved trading result. Your Directors recommend a final dividend of 10 per cent, making 14 per cent for the year. They are mindful of the Chancellor's desire to combat inflation.

The premium on the acquisition of the Shares in the Electronics Company has been written off and the General Reserve is increased by £50,000.

It will be noticed that there is a large increase in Debtors; this is mostly due to retentions on large contracts but the bulk of these have now been received and the situation is again normal.

The output has risen by 27 per cent since last year, and this has helped the improved results, but more important still is the enthusiasm of all the members of the Company, management, staff and workpeople to provide a high quality product at an economical figure.

The order book is in good shape, but competition is becoming even more intense, and it seems as if this trend is likely to continue. If, however, the economy of the country does not deteriorate, it is reasonable to expect that the results for the current financial year will not be drastically different from last year.

It is with great regret that I announce the retirement at October 31, 1961, at his own request, of Mr J. F. Liwski, who has been a colleague of mine from the start of this Company, and both my colleagues and I wish him a long and happy retirement. He has, however, I am pleased to say, agreed to act as a Consultant to the Board, and I have no doubt that they will be glad to take advantage of this from time to time, when his long experience will be helpful.

Mr A. V. Lawry, who has been on our Board for 12 years, and acted as Joint Managing Director since 1957, is now Managing Director, and I am sure you will all wish him success in his new sphere.

PROGRAMME OF EXPANSION

The Electronics Company has moved most of its activities to Wolverhampton and there is no doubt that they have been a great help to the Parent Company in obtaining orders for specialised equipment incorporating their designs, thus widening the field for the application of our equipment. They are not yet on a profit earning basis owing to the removal of their organisation, and the necessity of recruiting

this year we have maintained the rate of increase in turnover secured last year.

The report and accounts were adopted. At a subsequent extraordinary general meeting resolutions to change the name of the Company to "GLAXO GROUP LIMITED" and to effect certain amendments to the memorandum and Articles of Association were duly passed.

and training new labour at Wolverhampton. These difficulties are being overcome and an improved trend is already noticeable. We have a programme for a wide extension of their activities, and the reserves mentioned above are partly earmarked for the financing of this expansion.

As you are aware, we operated a licence agreement with La Telemecanique Electrique, Paris, but the value of this agreement has diminished, and for many years, we have manufactured our own designs, and have built up an efficient research and development department.

With the advent of the Common Market, and the expiry of the licence period, they gave notice of their decision to terminate the agreement, and we are grateful for the great assistance they gave to us in the early days of struggle, and I am pleased to say that we maintain cordial relations with them.

Our thanks are due to the efforts of all the employees of this Company, for the way they do meeting and overcoming the difficulties of this competitive age.

The report and accounts were adopted.

LAKE VIEW AND STAR

The Fifty-first Annual General Meeting of Lake View and Star Limited was held on December 7, 1961, in London.

Mr R. H. A. Neuschild (the Chairman), in the course of his speech, said:

The results of the Company's operations for the year ended June 30, 1961, are not unsatisfactory, and we are again able to recommend a final dividend of 1s. 6d., making a total of 2s. 6d. for the year.

Costs have increased by 6d. to 43s. 10d. per ton. Production of gold from mining operations at 166,122 ounces was slightly up on the previous year's figure. The results of development work during the year were good. Ore reserves at June 30, 1961, were 3,688,000 tons. Metallurgical extraction has again been good and in fact shows an improvement over the previous year.

In the power house a major innovation was introduced by the decision to use a heavier grade of oil fuel in place of the more expensive lighter oil, previously used. The profit from mining operations amounted to £400,672 which is fractionally higher than last year, and after the provision for depreciation, UK taxation liability and dividends the balance of profit on the year's operations amounted to £12,254. We have not much margin to play with in maintaining the rate of dividend. Our problem is whether we can effect savings to balance increases in costs, because with the fixed price for gold this is virtually the only way we can maintain the level of profits. Therein lies the implication for the future.

The report and accounts were adopted.

SAMUEL OSBORN & COMPANY, LIMITED

MR FRANK A. HURST'S STATEMENT

The fifty-sixth annual general meeting of Samuel Osborn & Company Limited was held on December 11th at Sheffield, Mr Frank A. Hurst (chairman and managing director) presiding. The following is an extract from his circulated statement:

During the year ended July 31, 1961, the majority of the companies of the Group worked to capacity, consistent with the labour available, and, consequently we have surpassed the sales figure of the previous year which I then reported as a record for us. We have now, therefore, a still higher target to beat.

Not only have we beaten our previous sales record by a substantial margin but, I am also pleased to be able to say, we have record profits for the year of £2,025,858 before tax and £976,900 after tax. Tax in the United Kingdom takes £972,001 and overseas £65,773; thus these first charges on profits reduce the total by approximately 51 per cent. From these figures the exceedingly heavy burden we have to carry will be appreciated.

I am still disappointed that those in authority continue to criticise British management and at the same time fail to do anything to curb the extravagant national expenditure, which could do much to help us meet increasing world competition by a reduction in taxation.

During the year under review our direct exports have improved but we continue to strive for further achievement. This must, however, be considered together with the fact that a large percentage of our products sold in the home market goes towards the making of other British products which are ultimately exported.

The purchasing side of our business has made a considerable contribution towards our success in that careful contracting has been exercised—a very important feature when purchases are so heavy.

THE EUROPEAN COMMON MARKET

I am sure that I am expected to say something about the European Common Market and I regret my inability at this stage to be categorical upon the matter. I have been surprised at the ready way many have expressed themselves as being positively for or against, because none of us really has grounds upon which we can decide, and when we do so it must be not from any selfish point of view—connected with one industry—but in the over-all national interest. All I can say is that I hope our negotiators will competently be able to appraise the advantages and disadvantages so as to enable them to make such arrangements as will be compatible with the interests of the United Kingdom and the British Commonwealth.

I am amongst the foremost in my desire that the Commonwealth should be protected in any arrangements which we may reach with the countries of the Common Market, but I feel I must say to some of the Commonwealth Governments that they must not look on the Commonwealth as a "one-way street." If they wish to continue exporting their goods to us on Imperial Preference terms, they should not impose harsh restrictions on our attempts to export goods to them, whether by restrictions of imports, the imposition of high duties or the narrowing of Preference tariff margins in favour of outside competitors.

On previous occasions I have mentioned the question of dumping and have advocated quick measures for the implementation of the provisions of the Customs Duties (Dumping and Subsidies) Act, 1957, when the necessity occurs. I make no excuse whatsoever for returning to this matter which I have been hammering for some years. Our Government is ready to criticise the efforts of manufacturers but, when faced with this simple problem of protection against dumping, continues to turn a deaf ear and professes to know better than those it criticises. At the same time it deplores the gap in our balance of payments which is widened by dumping.

Other Governments are apparently more ready to aid their manufacturers; an example being that in the Canadian publication *The Financial*

Post of October 7th the first paragraph on the editorial page reads—"The Justice Department stands ready to advise Canadian companies whether their plans to join forces to meet foreign competition in the domestic market would contravene the Combines Act"—and goes on to hint at the desire to cut imports.

To forecast the future is a most difficult and uncertain matter which is made still more complicated by complexity of world politics, but I can report that we continue to be very active in those departments which have been busy throughout the financial year under review. At the same time I have to say that the volume of orders received is slightly less than a few months ago. However, it is too early to tell what the future has in store, but we do know that we have

remained very busy at a time when it would seem that some of our competitors had suffered a certain amount of recession. During the period covered by the Accounts we have added new plant and made a number of extensions so we hope that by these means and by the fortunate position we occupy due to the diversification of our manufactures our prosperity will be maintained.

I conclude by expressing my thanks to everyone in the Osborn organisation from Directors to juniors, and to our subsidiaries and agents alike; all have helped by giving unfailing support. I have had co-operation in every direction and our success is due largely to a spirit of happy working together, mutual respect and loyalty. The report was adopted.

O.K. BAZAARS (1929) LIMITED

(Incorporated in the Republic of South Africa)

A GOOD TRADING YEAR

STEADY INCREASE IN TURNOVER MAINTAINED

The thirty-second annual general meeting of shareholders of O.K. Bazaars (1929) Limited will be held on December 22nd at Johannesburg.

The following are extracts from the Report of the Directors for the year ended June 30, 1961, to be submitted to the shareholders at the meeting:

The figures given below are in decimal currency—the Rand being equivalent to ten shillings—and have been taken from the consolidated accounts of the Company and its subsidiaries.

CAPITAL AND RESERVES

During the year under review, the authorised share capital of the Company was increased from R5,472,000 to R7,724,000. The sum of R2,254,936 out of R6,254,046 standing to the credit of the Company's share premium account at June 30, 1960, was capitalised and issued as fully paid-up shares to the holders of equity share capital in the ratio of one new share in the respective classes for each share held, increasing the issued share capital from R4,934,936 to R7,189,872. R1,000,000 has been transferred to Capital Reserve in the Holding Company and R138,170 has been transferred to General Reserve in two subsidiary companies to provide for the redemption of debenture stock.

PROFIT AND APPROPRIATION

The consolidated net profit for the year, attributable to shareholders of O.K. Bazaars

(1929) Limited is R3,912,307, compared with R3,264,900 for the previous year, from which appropriations have been made as shown below:

Consolidated net profit for the year attributable to shareholders	
Dividends of Holding Company:	
On Preference Shares	150,800
On Ordinary Shares:	
Interim of 10 per cent paid on July 31, 1961.	450,987
Proposed final dividend of 25 per cent	1,127,468
Retained in the business:	
Amount appropriated to reserves	1,138,170
Amount transferred to profit and loss appropriation account	1,044,882

* The 1960 net profit of R3,436,900 has, for purposes of comparison with 1961, been reduced by R172,000, being the balance of expenditure on premises on long lease shown in the 1960 accounts as an appropriation of profits.

DIVIDENDS

The directors recommend the payment of a final dividend of 25 per cent (12½ cents per share) to holders of ordinary, "A" ordinary and "B" ordinary Shares, which with the interim dividend of 10 per cent (5 cents per share) makes 35 per cent (17½ cents per share) for the year. This is an increase on last year when the Company paid 67½ per cent (33½ cents per share) on the equity share capital which was doubled by a Capitalisation issue during the year.

The following statistics are given for the information of shareholders:

	1957	1958	1959	1960	1961
Preference capital	R2,680,000	R2,680,000	R2,680,000	R2,680,000	R2,680,000
Ordinary capital	1,688,000	1,688,000	2,254,000	2,254,000	4,510,000
Reserves and unappropriated profits	18,694,000	19,900,000	25,000,000	26,592,000	26,523,000
	R23,062,000	R24,268,000	R29,934,000	R31,526,000	R33,713,000
*Profits after tax	R2,508,000	R2,342,000	R2,824,000	R3,264,000	R3,744,000
Earnings yield	10.88%	9.65%	9.43%	10.35%	11.11%
Preference dividends paid	R150,000	R150,000	R150,000	R150,000	R150,000
Profits attributable to ordinary shareholders	R2,358,000	R2,192,000	R2,674,000	R3,114,000	R3,594,000
Dividends to ordinary shareholders:					
Amount	R1,056,000	R1,056,000	R1,410,000	R1,522,000	R1,578,000
Per share	31½ cents	31½ cents	31½ cents	33½ cents	37½ cents
Profits retained	R1,302,000	R1,136,000	R1,264,000	R1,592,000	R2,016,000

* These figures do not include the surplus or the loss on the sale of properties. † Refer paragraph under heading of "Dividends" re Capitalisation issue.

GENERAL

The Company has had a good trading year and maintained a steady increase in turnover,

	1961	1960
R3,912,307	R3,264,900*	
150,800		
450,987		
1,127,468		
1,578,455	1,729,255	1,672,882
1,138,170		931,880
1,044,882		660,138
2,183,052		1,592,018
R3,912,307	R3,264,900	

both in the Republic of South Africa and in the Rhodesias. A surplus of R167,444 realised on the sale of two properties has been credited to profits.

MERCHANDISE

Although most of the Company's purchases are from South African manufacturers, it must not be construed that the small balance which is imported is unnecessary. Imported merchandise encourages South African manufacturers to keep abreast of what is produced in world-wide markets, sets a standard for local manufacturers and in no minor way has contributed to the improvement in manufacturing techniques which must surely help towards the building up of South Africa's export trade. The policy of quality and price has been and will always be the mainstay of this organisation and in fact, is the fountainhead of its growth.

STAFF

Once again we acknowledge the staff's loyalty and good service and the important part played by them in our satisfactory progress. Improved amenities and "awareness" training have encouraged the staff to greater efficiency, more Company consciousness and increased enthusiasm. Recognition in a practical way has been made by the Board again declaring a cash bonus to be paid to the staff.

AUSTRALIA AND NEW ZEALAND BANK

The Eleventh Annual General Meeting of Australia and New Zealand Bank Limited will be held on January 10, 1962, in London.

The following are extracts from the circulated statement by the chairman, **The Hon Sir Geoffrey C. Gibbs, KCMG**, for the year ended September 30, 1961:

AUSTRALIA CONCENTRATES ATTENTION ON EXPORTS

An official policy of deflation, aimed at restoring balance in overseas trading and checking the rate of increase in domestic costs and prices, sharply reduced the level of business activity in Australia during the first half of 1961. Following the attainment of external stability the restrictive policy measures were relaxed, and official attention has been directed in more recent months towards increasing domestic activity and employment without recreating an excessive demand for imported goods. The removal of the boom conditions, which were such a notable feature of the economy in the second half of 1960, also meant a substantial reduction in transactions of a speculative nature which had caused very large increases in stock exchange and real estate prices.

It should be explained, however, that the changes which have occurred in recent months are considered to be essentially short run alterations, and from the longer term aspect, the Australian economy can be expected to maintain rapid rate of development.

It is now more generally recognised that the rate of growth of the internal economy is clearly linked to the nation's ability to pay for increasing imports and to service foreign investment. The importance of foreign exchange earnings is recognised in the search for new export markets—a quest which has been given new urgency by the United Kingdom's application to join the Common Market.

The effect of monetary and fiscal restraints applied during 1960, had begun to show in the level of imports by February 1961, and there was a progressive decline in imports over the remaining months of the financial year. Although imports in the full June year were £A137 million greater than in 1959-60, the total for the half year ended June, 1961, was only £A30 million more than in the corresponding period of 1960.

Despite worthwhile increases in exports of manufactured goods, the great bulk of Australia's export income continues to be derived from the sale of rural products and minerals. The value of exports (excluding gold) in 1960-61—£A937 million—remained the same as in the previous year.

Recent action by the Government in granting taxation incentives to exporters is most welcome. Indeed, one of the most favourable interpretations of recent events is that they have concentrated attention on the balance of payments problems. Development of a more diverse range of export activities has assumed increasing importance in view of the persistent adverse movements in Australia's terms of trade, following the tendency in recent years for export prices to fall while the prices of imported manufactured goods rose slightly. This adverse movement in

prices has offset increases in the volume of goods exported.

But probably the most important requirement for success in the export field is to ensure that the increase in Australian costs and prices is kept to a minimum, so that the competitive advantages, which have been a feature of the pastoral industries in particular, will not be dissipated.

Australia's overseas reserves increased by £A39 million over the year ended June 1961, to a total of £A550.8 million. This improvement contrasted directly with earlier estimates which predicted a substantial fall in reserves following the expansion of imports. Receipts of long term and portfolio funds indicate the continued confidence of the overseas investor in Australia's potential and a favourable assessment of its undoubted prospects for further growth. However, this increasing level of investment places added emphasis on the need to pay adequate attention to promoting export industries.

FORMIDABLE PROBLEMS FACING NEW ZEALAND

The past year in New Zealand has been characterised by a severe balance of payments crisis, a marked growth of expenditure in both the private and government sectors, and the implementation of official policies to restrain spending. The high level of internal demand resulted in an expanded volume of imports which coincided with a reduction in overseas income following a series of adverse movements in prices received for the major primary exports. It is unfortunate that all these staple exports should have suffered simultaneously and this, combined with an expansion of imports, has reduced overseas reserves to extremely low levels. Indeed, the problems which New Zealand has to overcome are, in my view, more formidable now than at any time in the last decade.

This year's external position is in marked contrast to that of last year, when there was a favourable balance of payments and the level of reserves was sufficient to meet carefully restrained levels of spending. The deterioration which occurred was, to a large extent, the result of the adoption of inadequate fiscal and import licensing measures. To curb the drain on external reserves, the Government eventually adopted the traditional short term palliatives of severely restricting import allocations, including an extension of the current import licences to cover more than the calendar year 1961, and of arranging to borrow overseas.

The trading banks are working in an environment of detailed regulation and it is disappointing that the new Government has not yet been able to restore the traditional freedoms to the banks which would enable them to play a more positive part in New Zealand's progress.

New Zealand's admittance to membership of the International Monetary Fund, and World Bank is particularly welcome. In my view the Government showed great wisdom in obtaining Parliamentary approval for this action. Admittance to the Fund will mean ready access to short-term assistance and stand-by facilities should such be necessary in future pending more basic domestic adjustments, whilst admittance

to the Bank will provide opportunity to apply for medium and long term capital for development. It is to be hoped that these developments portend a more realistic approach to long-term investment from abroad.

The Government has been particularly concerned to foster selective development of industry. The stimulation of this industrialisation, however, often adds pressure in the short term to the balance of payments and the over-stretched labour market.

With regard to farm production, excellent seasonal conditions have been experienced and output has continued to rise, although at a markedly slower rate than in some earlier years. New Zealand has a vital interest in the United Kingdom's relationship with the Common Market and the Government has been active in stressing the likely adverse effects on the marketing of New Zealand's major exports.

Consumer prices continue to advance slowly, and over the year ended September 1961 rose by 2 per cent; the major increase was in the housing category of the Index. It is certain that the increased volume of imported goods has added to price stability over the year, but the likely reduction in the supply of imports in 1962, despite cushioning by the improved level of stocks, will add to the pressure on prices unless the level of demand can be reduced.

Internally the Government's basic objective is to restrain inflationary tendencies and curtail domestic expenditure. To this end, the Reserve Bank is following a severely restrictive monetary policy.

ACCOUNTS

When note is taken of the restrictions and controls from which we still suffer, we think we have good reason to be encouraged by the results shown in the year's accounts.

The Trading Bank Balance Sheet shows a considerably improved liquidity position and the increase in the fixed asset Bank Premises and Sites underlines the steady expansion in our branch representation.

We are always seeking to relate the increasing costs of carrying on our business to the charges we make to our customers and it is satisfactory to report that there were moderate increases in these charges during the year.

It is gratifying that the Trading Bank's profit at £A1,105,982 not only shows an increase of 7 per cent on last year's figures but is a little more than anything we have achieved so far. Your Directors recommend a final dividend for the year of 8 per cent less tax, which, together with the interim dividend already paid, would maintain the distribution at 12 per cent less tax.

The Directors propose a re-organisation of the Bank's share capital. The purposes of the proposals are the elimination of the reserve liability on the Bank's partly paid shares, the consolidation of all shares into one class followed by the increase of the Bank's paid-up capital to £Eng.11,000,000 by means of a bonus issue to shareholders. These proposals require the sanction of the shareholders (which will be sought at meetings to be held immediately after the Annual General Meeting) and the confirmation of the High Court.

COMPAGNIE D'OUTREMER POUR L'INDUSTRIE ET LA FINANCE

The annual general meeting of the COMPAGNIE D'OUTREMER POUR L'INDUSTRIE ET LA FINANCE was held in Brussels on November 23rd, Mr Gutt presiding.

The introductory statement of the Board's report is devoted, this year, to a topical problem, which is of considerable importance to Belgium: the *tax reform* that the Government proposes to introduce.

The fiscal system must be simplified, says the report. It must be adapted to the necessity of promoting investments, and, to this end, must contain provisions as advantageous as those in force in other Common Market countries. Compagnie d'Outremer stresses that this reform should not interfere with the rule "non bis in idem," which is the basis of Article 52 of the co-ordinated laws. The investment policy encouraged by successive Belgian governments in recent years, which had its practical application in the floating of subsidiary companies and in the taking up of investments in common, is built up to a large extent on the clauses of this article. The introduction of a double imposition or a multiple taxation, which would result from an amendment of this article, might tend to check investments in Belgian economy.

Compagnie d'Outremer also stresses the necessity of simplifying the method of assessing turnover, either by substituting regulations inspired from the French system of a tax on the "valeur ajoutée" (a tax on the difference between cost and selling price at each production stage of different concerns), or a generalisation of the "taxe forfaitaire" or "outright tax" (a lump sum paid on an assessment made by the authorities themselves), at a determined stage in the production or distribution circuit.

Since the end of the preceding financial year, the Company's share of investments in continental Europe has risen from 55.1 per cent to 56.9 per cent; American assets have recorded a growth at 27.8 per cent against 24.2 per cent, whilst those in Africa show a sharp fall at 9.5 per cent against 17.4 per cent. The item "Sundries" is taken up for 4.9 per cent against 3.3 per cent.

The evolution per activity sector is as follows:

	Sept. 30, 1960	Sept. 30, 1961
	%	%
Fixed assets	1.3	2.9
Banks, insurance and financial companies	31.3	36.4
Public utilities and electrical companies	26.4	25.2
Oil and natural gas industry	16.7	17.3
Mines and metals	8.7	6.3
Distributive trades, food and agriculture	5.3	5.7
Sundries	4.5	3.7
Net current assets	5.8	2.5
	100.0	100.0

The Board's aim is to make the Company a proper investment bank. It has already departed from the generally accepted notions of a holding company inasmuch as its interests, apart from

those in the banking field, which are a corollary to its activities in the financial field, are not controlling interests.

The Compagnie d'Outremer is determined to develop further its contacts with foreign banking and financial concerns, with the object of establishing a closer collaboration with them in line with the needs which have arisen with the ever-increasing internationalisation of economies and more especially the progress made in European integration. The Company's most important interest is in the BANQUE LAMBERT, whose development is progressing: deposits of customers and of other banks rose from BF 3,697 million to BF 4,616 million in 1960, whilst credits to the private sector climbed to BF 3,350 million from BF 2,949 million. Between 1953 and 1960 the volume of deposits grew by 178 per cent and that of credits to the private sector by 315 per cent; among the latter, acceptance credits augmented more than tenfold. This progress has continued into 1961, there being a distinct advance in the results of the first nine months of the current year over those for the corresponding period in 1960.

At the beginning of this year the Banque Lambert took over the banking activities of the BANQUE INDUSTRIELLE BELGE in Brussels. It took part in floating the BANQUE EUROPEENNE DU LUXEMBOURG, whose operations for the opening months are most satisfactory. Three main and 22 branch offices in Brussels, with one main branch office in Antwerp, make up the Banque Lambert's present facilities.

Through its fiduciary subsidiaries, whose operations are centralised in SOGES, the Banque Lambert was mainly responsible for the admission of foreign stocks on the Brussels stock exchange. The assets of the unit trusts in whose management it is interested, viz Fonds International de Placements "F.I.P.," "Eurunion" and "Patrimonial," amount to BF 2.7 thousand million, against BF 2.3 thousand million a year ago.

Almost all the shares of SOCIETE CONGO-LAISE DE BANQUE, BANQUE AFRICAINE INTERNATIONALE and BANQUE DU RUANDA-URUNDI were brought in to a new company, SOCIETE FINANCIERE POUR LES PAYS D'OUTREMER, floated in Geneva, in May, 1961. Business of the African affiliates of the new company suffered from the political chaos in the Congo in 1960, but a marked improvement has been registered since the beginning of 1961.

Compagnie d'Outremer has also interests, through the Banque Lambert, in BANCO DI ROMA (BELGIQUE), BERLINER HANDELS-GESELLSCHAFT, CREDIT COMMERCIAL DE FRANCE, UNION FINANCIERE DE PARIS, BANQUE NATIONALE POUR LE DEVELOPPEMENT ECONOMIQUE (Morocco), FIVE ARROWS SECURITIES (Canada), DEVELOPMENT FINANCE CORPORATION (Australia). In the course of the last year it also acquired part of the capital of SOCIETE FINANCIERE BELGO-CANADIENNE, whose assets are mainly made up of securities, the majority of which are American.

In the public utilities and electricity sectors, the main interests of Compagnie d'Outremer are concentrated in its participations in SOFINA, ELECTROTRAIL and ACEC. Sofina's assets can be estimated as having recorded a further gain in 1961, due notably to the price rise in the majority of American public utility services shares in its portfolio.

The oil industry is represented in the portfolio chiefly by the PETROFINA group. Apart from a large interest in the parent company, Compagnie d'Outremer has holdings in CANADIAN PETROFINA and AMERICAN PETROFINA. For the first half of 1961 Petrofina's profits are up by 5.5 per cent over those of the corresponding period in the previous year. Canadian Petrofina's profits for the first nine months of 1961 are booked at \$Can. 4.4 million as against \$Can. 1.03 million for the whole of 1960. American Petrofina's results also show a net improvement; profit for the first half of 1961 reaches \$US 820,000, whilst for the same period in 1960 a loss of \$US 385,000 was registered.

The holdings of Compagnie d'Outremer in South African gold mines have been realised. On the other hand, the Company strengthened its holdings in copper by the acquisition of RHODESIAN ANGLO AMERICAN shares. Other participations in the mining sector are represented by holdings in TANGANYIKA CONCESSIONS LTD., RHODESIAN SELECTION TRUST LTD., DE BEERS CONSOLIDATED MINES LTD., RIO ALGOM MINES LTD., ST JOHN D'EL REY MINING CO.

In the food and distribution fields it holds an interest in GRANDS MAGASINS "A L'INNOVATION," whose expansion in Belgium is progressing steadily, whilst that in France and the Netherlands is assured by its subsidiaries. The Company also holds interests in the following companies operating in the Congo: BRALIMA, ELAKAT and BELGIKA.

The consolidated profits of Compagnie d'Outremer—that is to say, its own profits plus its share in the profits of wholly-owned subsidiaries—amounted to BF 154 million for the period from October 1, 1960, to September 30, 1961, against BF 135 million for the preceding twelve months.

The Company's net profits amount to BF 73,711,974, which permits a dividend distribution of BF 40 per ordinary share; payment will be made on January 9, 1962. It must be recalled that the net profits of the previous year were set aside for the depreciation of the portfolio and the constitution of a reserve of BF 50 million for the same purpose.

In his speech Mr Gutt announced that an extraordinary general meeting will be held before the end of the year to examine certain projects of a merger. In view of the importance of the Company's holdings in the Banque Lambert, whose financial year closes on December 31st, the above general meeting will also be called upon to decide on the change over of the closing of its own financial year from September 30th to December 31st.

VITAMINS LIMITED

"DUMPED DRUGS FOR N.H.S."

The Annual General Meeting of Vitamins Limited was held in London recently.

Net profit for Vitamins, Ltd., to year ending March 31, 1961, was £151,953 (£129,280). Ordinary dividend was maintained at 12½ per cent.

In his Report, the Chairman, Mr H. C. H. Graves, said that the British fine chemical and pharmaceutical industries, of which they were proud to form part, were second to none. They had been built up as a far-sighted and long-term act of national policy since the time of the first world war. It had fallen to the present Minister of Health to reverse the policy, by encouraging dumping of other countries' surplus outputs.

So far from encouraging and helping British inventiveness, he had taken the unprecedented step of offering to purchase the nation's requirement of certain essential products, protected by patent in this and other countries, from pirates. This policy could extend to those who, by industrial espionage or otherwise, sought to cash in on the patented knowledge of inventors without having contributed either cash or inventiveness to the invention or development of the product itself or the clinical research needed before it could be safely marketed.

It was axiomatic that the successful development of export trade needed a firmly based home market.

The Minister had said, "I am willing to pay a royalty to the true owner of the patent." You could not run a factory on royalties—you needed physical throughput. The Minister "has a duty to purchase drugs for the N.H.S. at the lowest possible cost," even if to do so he had to en-

courage dumping of goods surplus to the pirates' home market. Had he no responsibility to Parliament and people for the protection of a key industry: or had he forgotten this country's lamentable position at the time of the first world war?

The Minister's position, as one of the chief customers of the pharmaceutical and fine chemical industries was incompatible with his national responsibility for the guardianship of those industries as their sponsoring Minister. So long as he was going to have his pound of flesh as the hard faced buyer—concerned only with the short-term advantage—so long should responsibility for sponsorship of these industries be transferred to an unbiased Minister capable of weighing credits against debits and taking up the cudgels for the industry he was protecting.

Of course, it was politically convenient to have a whipping boy for the cost of the N.H.S., in spite of the fact that the drugs themselves offered the best hope of reducing the cost of the N.H.S., by reducing hospital costs. How much longer was the Minister going to ignore the recommendation of the Guillebaud Committee that he should consider ways and means of publicising the facts of the industry's great achievements in a telling manner? Its export record—a fourteen-fold increase since 1938—exports now totalled nearly as much as the value of the N.H.S. drug purchases. Its contribution to national health and long life—millions were alive today who would never have survived on the drugs of 25 years ago! The tremendous reduction in the cost of illness due to the reduction of the length of treatment.

How much longer was he going to ignore the same Committee's recommendation that "the conditions which favoured profits for research, such as patent rights, publicising of proprietary names and the price agreement with the Ministry of Health be accepted?"

The Report and Accounts were adopted.

LEETHEMS (TWILFIT)

The 33rd annual general meeting of Leethems (Twilfit) Limited was held on December 7th at Portsmouth, Mr A. E. Downing, FCA (the chairman) presiding.

The following is an extract from his circulated review:

After an encouraging start to the year's trading, we experienced a short period of depression, followed by steadily improving conditions which, however, were not of sufficient duration prior to the close of the year to compensate for the earlier setback.

Sales of certain of our new styles, notably Twilfit "Joycet" belts and Twilfit "Cupid" brassieres, are most encouraging, and we are satisfied that demands for them will continue to increase. Export sales showed a small improvement as compared with the previous year in spite of difficulties over quotas and credits.

Costs of materials, labour and overhead expenses continue to rise and, almost invariably, there is a time lag before such increases can be recovered by revision of selling prices. Buildings, Plant and Machinery have all been maintained at our usual high level of efficiency.

An increased rate of Profits Tax has to be borne this year and, after appropriating £4,000 to General and Contingencies Reserve and £2,500 to Staff Retirement Account, the Directors are pleased to recommend the payment of a Final Dividend of 9½ per cent on the Ordinary Shares making, with the 3 per cent Interim Dividend already paid, a total of 12½ per cent (less tax) for the year. The balance of unappropriated profit to be carried forward to next year amounts to £14,367 against £14,337 brought in from last year.

The report was adopted.

NORTH ATLANTIC SECURITIES CORPORATION

The seventh annual general meeting of North Atlantic Securities Corporation Limited was held on December 11th in London, The Right Honourable Lord Latymer (the chairman) presiding. The following is an extract from his circulated statement:

I mentioned in my previous statement that we had acquired the entire issued share capital of Commercial & Industrial Investment Trust Limited. The combined adjusted gross revenue for the two companies for 1960 amounted to £177,698 and the net revenue, after taxation, amounted to £91,949, which compare with this year's figures of £183,728 and £93,698 respectively.

An interim dividend of 1½ per cent was paid in May last. Your Directors now recommend the payment of a final dividend of 4 per cent. This amounts to the same rate of distribution for the year as that for the previous year.

No overall revenue increase is anticipated in the current year from our United Kingdom securities due to lower profit margins coupled with the Chancellor's request for dividend restraint. However, some increase may be forthcoming from our American securities provided that the recovery in the US economy continues.

The value of the net assets of the corporation at September 30, 1961, was £4,249,662, equivalent to 8s. 9d. per share, as compared with £2,281,902, equivalent to 7s. 7½d. per share at September 30, 1960.

The report was adopted.

KENNINGS, LIMITED

Head Office, Kenning House, West Street, Chesterfield

EST. 1878



Directors:

G. Kenning, D.F.C., T.D., M.A.
(Chairman and Joint Managing Director)

D. B. Kenning, M.A., J.P.
(Joint Managing Director)

R. D. Cooke, M.I.M.I. (Secretary)
A. B. Griffiths, O.B.E., M.A., F.S.A.A.

GROUP PROFIT AND APPROPRIATIONS, YEAR ENDED 30th JUNE, 1961

Group Trading Profit	£ 1,619,498
Less: Depreciation, Interest Paid, Directors' Emoluments, Employees' Pension Scheme, etc.	481,261
Group Net Profit before Taxation	1,138,237
Less: Taxation	594,944
	543,293
Less: Outside Shareholders' Interests	10,207
	533,086
Less: Special Items	1,572
	£531,514

Appropriated as follows:	
Retained in business	310,402
Preference Dividend, Net	6,737
Ordinary Dividend, Net	214,375
	£531,514

CAPITAL AND DIVIDEND COVER

PREFERENCE SHAREHOLDERS:	
Issued Capital	£200,000
Dividend Covered by Net Earnings after Tax	79 times
Capital Covered by Net Assets	26 times
ORDINARY SHAREHOLDERS:	
Issued Capital	£1,600,000
Rate of Dividend Paid	20%
Dividend Covered by Net Earnings	2.4 times
GROUP NET ASSETS	£5,228,227

The report was adopted and a dividend of 12½ per cent and Silver Jubilee Bonus of 2½ per cent were approved.

SOME PRINCIPAL OVERSEAS SUBSCRIPTION AGENTS:

ACUSTRAH—John Hinton & Co., 50 Miller Street, Sydney, New South Wales.
BONHEUR—HILLMAN, W. H. Smith & Son, 1 Boulevard, 40 Rue de la Liberté, ALGERIA.
BONHEUR—HILLMAN, W. H. Smith & Son, 100, Rue de Mexico 90, 51110, Rio de Janeiro, BRAZIL.
DAWSON Subscription Service, 587 Mount Pleasant Road, Dawson, Queensland, AUSTRALIA.
DUNN—The Lake House Bookshop, 100 Parsons Road, Fort Colomboa, D.N.S. KENYA.
MUNKSGAARD, 6, Nørregade, Copenhagen K, DENMARK.
FINLAND—Brahmin Ltd, Lakami, Helsinki, Finland.
FRANCE—W. H. Smith & Son, 22, Rue de l'Esclapart, Paris, FRANCE.
GERMANY—W. E. Saarbach, Gertrudenstrasse 36, D-10111, Berlin, GERMANY.
GHANA—Travel Service, Ltd., 2, Karibbas Street 34, Hamburg 22, GERMANY.
GREECE—Librairie Kaufmann, 28 Rue de la Made, Athens, GREECE.
HOLLAND—Van Gelderen, Hoofdstadkantoor, N.Z. Voornburg, 142, Amsterdam, HOLLAND.
HUNGARY—Hungary Bureau Ltd, 70-76, Marina House, 101, Hungary.
INDIA—Private Ltd, Gole Market, Calcutta 700 001, INDIA.
JAPAN—Private Ltd, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829,

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Brewing Results

THE consolidation and development of the brewing industry has left some companies in need of fresh capital funds. United Breweries' series of take-overs has, for instance, made the injection of new capital imperative; the company raised about £5 million on a 6½ per cent debenture almost a year ago and it is now placing £2 million of a 6½ per cent debenture at 98½. Report has it that Watney Mann may also be coming to the market with a prior charge stock very soon. Here, the new money would seem to be needed for the consolidation of Watney Mann's brewing interests—and not for property development, for Mr Simon Combe, the chairman of the subsidiary, **Watney Mann Property**, has said that its immediate capital needs can be met and that more permanent finance can wait. At the end of September the property subsidiary, in which the parent owns about 51 per cent of the equity, had capital commitments of £394,000 but other projects will entail an outlay of at least £2,500,000 in the next few years. The initial increase in the property company's income has been rapid; but this has come largely from letting licensed premises as they stand. Now the company is entering upon development proper, where sites will have to be acquired and new buildings erected. This has an immediate financial cost and Mr Combe thinks of the next two years as a stage of consolidation. Income may increase less rapidly for a time; but the conviction that development will be handsomely rewarding is reflected in the yield of 1 per cent offered by the 5s. shares at 14s. 9d.

One of the rumours that bloomed in the spring was that **Bass, Ratcliff and Greston** might merge with Watney Mann. In fact, Bass merged with the Midlands and South Wales brewers, **Mitchells and Butlers**. This has always been one of the strongest of the regional breweries; Bass has for many years been a national brewer, not because it has public houses scattered up and down the country outside the cluster it owns in the Midlands but because its naturally conditioned bottled beers, "Bass" and "Worthington," have commanded a wide market in the free trade and through the brewers' tied outlets. To preserve profits in the trade outside its own tied outlets has become increasingly difficult and Bass to meet the competition from other beers has been switching more towards pasteurised bottled beers. Its merger with Mitchells and Butlers, moreover, gives it a stronger base from which to bargain with other brewers; presumably this link will give it some interest in the "Harp" lager venture.

But the merger could not have had any tangible effect on trading results for the year to September 30th. The rise in gross

profits by 16.8 per cent, from £7,425,000 to £8,670,000, and in net profits by 18.5 per cent, from £3,726,000 to £4,417,000, must therefore reflect higher sales and higher prices for the summer trade. It is a remarkably good performance; this, however, is not reflected in the final dividend which in deference to the Chancellor's request is kept at the 7 per cent forecast at the time of the merger. The indicated yield on the 5s. shares at 15s. 1½d. is 3.6 per cent, covered over twice. One important point for the future of Bass, Mitchells and Butlers is whether the increase in sales and profits has been more marked in the tied trade or in the external trade, where Bass is doing a great deal to promote the sales of container draught beers.

Another company with an important stake in the growing market for container draught is **Flowers of Luton**, with its "Keg" bitter. This is one of the biggest breweries under the Whitbread umbrella and its latest trading results are rather disappointing. Gross profits before tax have risen by no more than 5½ per cent, from £1,337,000 to £1,411,000; net profits actually fell, from £721,000 to £660,000, but the dividend has been raised to 12 per cent, against 11 per cent in 1959-60 when a non-recurring 1 per cent was added from capital profits. The stock market was disappointed and marked the 5s. shares down by 1s. 6d. to 16s. 9d. xd., to yield 3½ per cent. Exceptional capital charges may explain the lack of buoyancy; but it must be wondered whether Flowers is meeting increasing difficulty outside the comparatively small base of its own tied outlets against the competition of other and bigger breweries.

ICT

ONE lesson to be drawn from the dividend of International Computers and Tabulators is that shareholders should pay more attention to the shillings and pence than to percentages. The rounding up of the interim dividend from 9.6d. to 10d. encouraged hopes of a higher total dividend, but now the final has been rounded down from 1s. 5.4d. to 1s. 5d., to leave the total payment unchanged at 2s. 3d. This is in line with the forecast made at the time of the rights issue last January. Trading profits for the year to end-September rose by just over 20 per cent, from £7,925,000 to £9,506,000, but this does not fully reflect the increase in business, for just over 73 per cent of the group's deliveries in 1960-61 were rentals rather than outright sales. The continued development of the rental business is reflected in the substantial increase from £3,494,000 to £4,391,000 in the sums

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written off machines on rental. Interest charges are higher as a result of the issue of £5 million of 6½ per cent debentures and of higher interest rates on the bank overdraft (which was reduced over the year). Hence, profits before tax rose by 12 per cent, from £2,961,000 to £3,330,000.

Net earnings have benefited from £800,000 of investment allowances, which ICT is transferring to a development account. After allowing for the tax relief on investment allowances the maintained dividend is still covered 2½ times, but if no relief were taken the cover would fall to 1.8 times. Cash flow last year totalled £7 million but capital expenditure was between £11 million and £12 million and it will clearly be necessary to raise further funds but the directors have no present intention of doing so. At 102s., close to their 1961 peak, the £1 ordinary shares yield only 2½ per cent—a return which perhaps discounts fully the growth prospects of the electronic and accounting machine industry. But two "bull" points are ICT's agreement with Radio Corporation of America (which provides for an exchange of technical information and patents in the field of electronic data processing and for purchases of equipment) and the growing interest that is being taken in the shares by American investors.

Tube Investments

IT was no surprise that this week's annual meeting of Tube Investments brought a forecast from Sir Ivan Stedeford, the chairman, of lower profits for the current year. His statement with the accounts had shown that the group was facing many difficulties in the cycle and aluminium divisions, while there seems little chance of early recovery in profits from its steel interests. Unless a marked upturn in trade occurs shortly, Sir Ivan thinks it unlikely that Tubes could "make nearly good the reverse we shall have already suffered." Though he does expect net profits to come out near those for 1959-60—say about £8 million, against £9.3 million for 1960-61. This would mean equity earnings about 5 points lower at 37 per cent but would leave adequate cover for a maintained 14 per cent dividend. The market's immediate reaction was to mark the shares down by 2s., but on further consideration of Sir Ivan's assessment, the £1 shares regained most of the earlier fall and at 62s. 4½d. yield 4½ per cent.

Tanganyika Concessions

THE publication of the full report of Tanganyika Concessions for the year to July 31st, in which the chairman, Captain Charles Waterhouse, said "it would be idle to attempt any prophecy on future events," coincided with the announcement that all the mines and plants of Union Minière in Katanga were "practically idle." Tanks' investment in Union Minière is its principal earning asset, the other being the Benguela Railway, which runs from the Congo

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through Angola to Lobito. They provided nearly 95 per cent of Tanks' income in 1960-61; the yield of 19 per cent on the 10s. shares at 17s. 3d. measures the uncertainties about hard cash dividends in the future. In 1960-61, Tanks' return on its investments in the Benguela Railway was more or less maintained, but Union Minière cut the dividend, so reducing Tanks' gross income from £4,452,000 to £3,296,000 and compelling a cut in its own dividend from 3s. 9d. to 3s. 3d. per share. Recently Union Minière declared an unchanged interim; now there must be doubts about the continued earning of money in the Congo and Katanga and getting it out.

ACV

THE preliminary results of Associated Commercial Vehicles, which gave some indication of the prospects for the current year, more than satisfied the expectations of the stock market and the £1 ordinary shares rose by 2s. to 74s. 4½d. (to yield 4.3 per cent) after they had been announced. In the year to September 30th ACV's gross profits rose by 27 per cent, from £1,513,000 to £1,921,000 and net profits by the same proportion from £783,000 to £968,000. But the 1960-61 figures exclude the results of Transport Equipment (Thornycroft) which the group acquired on March 1st and which continued to make a loss in the subsequent ten months. The directors say that the loss was non-recurring since it arose from writing down stocks and the cost of integrating Thornycroft into the group and it will be written off in the balance sheet.

As forecast, a final dividend of 11 per cent is being paid, making a total of 16 per cent for the year. The capital was increased in January by a one-for-one rights issue and the dividend now costs £424,000, compared with £288,000 needed to pay the 22½ per cent dividend on the original capital in 1959-60, and the earnings cover has fallen from 2.4 to 2.1 times. The directors say that the order book is higher than it was a year ago and that a marked increase in export orders has more than offset the decline in home orders.

Barclays DCO

WHILE the political tempo has quickened in many of the 41 different countries where Barclays DCO operates its 1,279 branches, economic activity slackened in several of the territories, particularly in South Africa and the Rhodesian Federation, and commodity prices generally fell. Yet the bank's deposits rose by £20 million to a new peak of £637 million by September 30th. The balance sheet also reflects the three for ten rights issue in April and the total of capital and disclosed reserves has risen from £24.2 million to £30.8 million. Advances show a much smaller increase than in recent years—up at the balance sheet date from £301.2 million to £305.8 million but well

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down from an earlier peak of £337 million, and so bringing a marked increase in the bank's liquid resources.

The high level of advances helps to explain why disclosed profits have risen from £1,469,000 to £1,597,000 after the normal transfers to inner reserves, which again include a further provision against investments. As forecast at the time of the rights issue, the dividend has been maintained at 10 per cent, of which the final of 5 per cent is paid on the increased capital. Can the bank maintain this rate of progress? Mr J. S. Crossley says that the full effect of the running down of economic activity may not yet be fully reflected in the bank's figures, and he adds that in most of the territories where the bank operates confidence will be the major factor in the next few years. It may be an encouraging sign that despite the political uncertainty in so many parts of Africa the £1 shares of Barclays DCO are now higher than a year ago despite the intervening rights issue; at 38s. 3d. they yield 5½ per cent.

Mercantile Credit

ON Wednesday the 5s. shares of **Mercantile Credit**, one of the largest hire purchase finance houses, put on 7½d. ahead of the results but this gain was more than lost on Thursday following the news of the cut in the dividend from 12½ to 7½ per cent and the drop in trading profits from £1,634,000 to £678,000 in the year to September 30th. With the interim dividend of 5 per cent last April came a warning that during the early months of the financial year profitability had been markedly less than in the corresponding period in the previous year but that the easing of restrictions had brought a considerable expansion both in volume and profit. It was clear that the company was still being hit by bad debts although a year ago Sir Mark Turner, the chairman, said that he thought sufficient provision had been made to cover all known doubtful items.

Now in the preliminary statement the directors say that the lower profit has been struck after making exceptional provision for bad and doubtful debts. No indication is given of the size of this provision except that £175,000 of it was charged not against revenue but against tax provisions no longer required. For shareholders (who include Westminster and Martins Banks which together hold 40 per cent of the equity) left with a reduced dividend which is only partially covered by earnings there is but one consolation. Despite the depressing figures there has been a further expansion in the volume of business, reflected in the increase in outstanding hire purchase and other instalment debts from £72.4 million to £80.3 million and at the end of September unearned finance charges amounted to £7.7 million, against £6.7 million a year earlier. On the lower dividend the shares at 13s. 3d. yield only 2.8 per cent.

London Stock Exchange

FIRST DEALINGS	Nov. 27	Dec. 11	Dec. 29
LAST DEALINGS	Dec. 8	Dec. 28	Jan. 12
ACCOUNT DAY	Dec. 19	Jan. 9	Jan. 23

THE stock market was quiet at the opening of the long Christmas account this week. Towards the end of last week, before the new account, there was less selling of equities, and with the *Financial Times* index down to about 290 a number of buyers appeared in search of bargains. Further news of lower earnings among the steel companies held back the rise in equity prices on Monday, but it was resumed with quiet selective buying on Tuesday. Institutional buyers appeared on Wednesday encouraged by the approach of the New Year and the tone of the market benefited from a firm Wall Street; there was indeed some buying on US account. Over the week to Wednesday *The Economist* indicator rose by 8.2 points to 355.5, reflecting the rise in oil share prices and the strong demand for Unilever.

Before the weekend the gilt-edged market was quiet and the news of the conversion operation came after hours on Friday. On Monday there was a good deal of switching, although the short-dated stocks failed to hold their early gains, and by Wednesday there was also some investment buying. Treasury 5½ per cent 2008-12 rose 1½ to 84½ and the undated stocks moved up in sympathy, 3½ per cent War Loan rising by ½ to 52½.

Among hire purchase shares Mercantile Credit gained 7½d. ahead of the results, but after the lower dividend was announced the shares were marked down on Thursday morning to 12s. 9d.—a net fall of 1s. 1½d. Insurance shares were irregular under the influence of selective buying; Commercial Union lost 1s. 6d. to 65s. 9d. but Legal and General gained 1½ to 38½. Breweries were a quiet market after the rash of take-over talk in the previous week and Bass, Mitchells and Butlers gained 4½d. to 15s. 3d. after its results. Among chemical shares ICI reversed the downward trend of recent weeks and gained 2s. 3d. to 58s. 3d. There was also an improvement in store shares and GUS "A" gained 1s. 6d. to 52s. 6d.

Electrical shares were depressed by small selling and AEI lost 9d. to 28s. 3d., but Decca Record recovered from the losses made following the denial of take-over rumours to gain 2s. over the week to 73s. American and Continental buyers helped to raise the price of Elliott Automation by 3s. 4½d. to 43s. 1½d. Gains in steel shares on Wednesday helped to offset part of earlier losses but they were generally lower over the week; Whitehead lost 3s. 3d. to 42s. 9d. Unilever were the bright spot of the industrials after their introduction on the New York Stock Exchange; they gained 9s. 10½d. to a new high of 53s. Oil shares rose strongly under the lead of Shell Transport which gained 8s. 3d. to 121s. 6d.

LONDON AND NEW

Prices, 1961		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Dec. 6, 1961	Price, Dec. 13, 1961	Net Yield, Dec. 13, 1961	Gross Yield, Dec. 13, 1961	Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Dec. 6, 1961	Price, Dec. 13, 1961	Yield, Dec. 13, 1961	
High	Low					£ s. d.	£ s. d.	High	Low			High	Low				
92 1/2	88 3/4	Savings Bonds 3% 1955-65	90 1/2	90 1/2	£ s. d.	£ s. d.	£ s. d.	89 7/2	64/-	13 c	6 1/2	BANKS, DISCOUNT & HP			85/3	85/-	3.06
100 1/2	99	Converts. 4 1/2% 1962	99 1/2	99 1/2	0 4 3	5 7 10	100/3	74/3	16 c	8 1/2	6 1/2	Barclays	£1	85/3	85/-	3.06	
98 1/2	98 3/4	Converts. 4 1/2% 1962	98 1/2	98 1/2	0 4 3	5 7 10	100/3	74/3	16 c	8 1/2	6 1/2	District	£1	93/6	94/6	3.39	
91 1/2	88 3/4	Converts. 4 1/2% 1962	88 3/4	88 3/4	0 4 3	5 7 10	100/3	74/3	16 c	8 1/2	6 1/2	Lloyds	£1	67/-	68/-	3.20	
96 3/4	93 1/2	Exchequer 3% 1962-63	95 1/2	96 3/4	0 4 0	5 11 11	94/6	67/3	19 c	9 1/2	6 1/2	Martins	£1	23/-	23/-	3.26	
101 1/2	98 3/4	Treasury 5 1/2% 1962	100 1/2	100 1/2	2 16 4	5 2 9	97/3	73/-	7 b	7	6 1/2	Nat Provincial	£1	90/6	90/6	3.31	
93 1/2	90 1/2	Exchequer 2 1/2% 1963-64	92 1/2	93 1/2	4 9 11	5 10 11	95/6	58/9	7 1/2	6 1/2	6 1/2	Westminster 'B'	£1	85/-	86/9	3.37	
98 3/4	94 1/2	Conversion 4 1/2% 1964	98 3/4	98 3/4	4 1 1	5 18 0	94/9	35/3	4	8 b	6 1/2	Australia & N.Z.	£1 p.p.	42/6	42/-	5.71	
101 1/2	96 1/2	Exchequer 5 1/2% 1966	98 3/2	98 3/2	3 13 0	5 18 9	52/-	41/-	6 b	4	6 b	Bk. Lond. & S. Amer.	£1	45/3	45/6	4.40	
83 1/2	78 3/4	Funding 3% 1959-69	81 7/8	82 1/2	4 14 2	6 0 10	£24 1/2	£21 1/6	\$2.05c	\$2.05c	7 1/2	Bank of Montreal	\$10	£24 1/2	£25 1/2	2.73	
89 1/2	84 1/2	Funding 4% 1960-90	88 3/8	88 3/8	3 11 10	5 5 8	30/4	25 1/4	8 c	9 c	9 c	Bank of New S. Wales	£20	28	28	5.14	
80 1/2	74 3/4	Savings Bonds 3% 1960-70	79 1/2	79 1/2	4 15 10	6 3 7	44/9	31/9	10 c	5 c	5 c	Barclays D.C.O.	£1	38/6	38/-	5.71	
85 1/2	80 3/4	Savings Bonds 2 1/2% 1964-67	84 1/2	85 1/2	4 15 4	5 17 21	£21 1/2	£16 7/2	5 1/2 c	10/-	10/-	Chartered	£1	52/9	52/6	5.71	
72 1/2	66 1/2	Savings Bonds 3% 1965-75	71 1/8	71 1/8	4 15 0	6 4 7	70/6	49/9	7 1/2	9 b	9 b	Hongk'g. & Shang.	\$25	£17	£18	4.17	
84 1/2	78 3/4	Funding 3% 1966-68	83 1/2	84 1/2	4 13 7	6 1 0	£29 1/6	£25 1/6	\$2.32 1/2c	\$2.32 1/2c	11 1/2	Royal Bk. Canada	\$10	£28 1/2	£28 1/2	2.81	
86 1/2	80 1/2	Conversion 3 1/2% 1969	85 1/4	85 1/4	4 11 10	6 3 3	118/6	96/3	10 b	5	5	Royal Bk. of Scotland	£1	113/-	112/6	3.38	
97 1/2	92 1/2	Victory 4% 1920-76	93 3/8	93 3/8	4 5 0	6 5 7	41/6	32/-	10 b	5	5	Stand. Bk. S. Africa	£1	40/3	41/3	7.27	
95 1/2	88 1/2	Conversion 5 1/2% 1971	92 3/4	92 3/4	4 0 9	6 5 7	165/-	95/-	22 1/2 c	22 1/2 c	22 1/2 c	Hambros	£1 f.p.	150/-	160/-	2.81	
73 1/2	66	Treasury 3 1/2% 1977-80	69 3/4	69 3/4	4 12 9	6 7 0	89/6	59/6	5 b	21 c	21 c	Schroders	£1	80/-	84/-	1.79	
72 1/2	65	Treasury 3 1/2% 1979-81	69 1/4	69 1/4	4 12 9	6 8 4	60/6	45/6	6 1/4	6 1/4	6 1/4	Union Discount	£1	52/9	52/9	4.74	
97 1/2	88 1/2	Funding 5 1/2% 1982-84	92 1/2	90 3/4	4 0 9	6 6 3	27 1/2	13/-	18 c	Nil	Nil	Bowmaker	£1	13/6	13/3	1.14	
59 1/2	51 1/2	Redemption 3% 1986-96	53 1/4	54 1/8	4 9 5	6 4 4	23/6	11/9	19 c	5 c	5 c	Lombard Banking	£1	12/1	11/9	1.14	
88 1/2	79 1/4	Treasury 5% 1986-89	81 3/8	82 1/4	4 8 11	6 3 7	21/9	12/9	5 c	2 1/2 b	2 1/2 b	Merchants Credit	£1	140/10	140/10	2.32	
63 1/2	53 1/8	Funding 3 1/2% 1993-2008	57 1/2	58 1/2	4 2 8	6 13 11	210/-	132/-	22 1/2 b	4	4	United Domin. Tst.	£1	143/9	150/-	3.53	
94 3/8	81 3/8	Treasury 5 1/2% 2008-12	83 3/4	84 3/4	4 2 8	6 13 11	210/-	132/-	22 1/2 b	4	4						
65 3/4	56 1/2	Consols 4% after Feb. 1957	58 3/4	59 1/4	4 3 3	6 17 4	41/-	31/-	8 1/2 b	6 a	6 a	BREWERIES, ETC.					
59 1/2	52 1/2	War Loan 3 1/2% after 1952	51 1/4	52 1/4	4 2 5	6 14 8	15/3	11/-	8 1/2 b	6 a	6 a	Bas. M. & B.	£1	14/10 1/2	15/3	3.61	
59	50 3/4	Conv. 3 1/2% after Apr. 1961	51 1/4	52 1/8	4 2 11	6 16 2	41 1/2	31/-	8 1/2 b	6 a	6 a	Distillers	£1	38/1 1/2	36/6	3.98	
50 7/8	43 1/4	Treasury 3% after Apr. 1966	43 3/4	44 3/4	4 2 9	6 15 10	10/10	11/-	8 1/2 b	6 a	6 a	Flowers	£1	19/-	17/-	3.53	
44	36 1/2	Consols 2 1/2% after Apr. 1975	37 3/4	38 3/4	4 0 5	6 11 1	60/6	50/-	8 a	14 b	14 b	Guinness	£1	55/9	52/-	4.23	
43 1/2	36 1/2	Treasury 2 1/2% after Apr. 1975	37 3/4	38 3/4	4 0 5	6 11 1	60/6	50/-	8 a	14 b	14 b	Ind. Coope. T.A.	£1	14/7 1/2	14/10 1/2	4.03	
91 7/8	85 3/4	British Electric 4 1/2% 1967-69	91 1/4	91 1/2	4 4 2	6 3 3	42/-	30/-	7 1/2 b	5 a	5 a	Teacher (Distillers)	£1	36/9	39/6	4.16	
75 1/2	70 1/8	British Electric 3% 1968-73	74 1/4	74 1/2	4 16 3	6 4 1	106/6	76/9	12 b	12 b	12 b	Watney Mann	£1	105/3	106/3	3.39	
70 3/4	64 1/2	British Electric 3% 1974-77	68 3/4	69 1/8	4 15 0	6 5 4	106/6	76/9	27 c	9 a	9 a	Whitbread 'A'	£1	35/9	36/-	3.75	
81 7/8	74 1/8	British Electric 4 1/2% 1974-79	79 1/2	79 1/2	4 6 3	6 5 4	106/6	76/9	27 c	9 a	9 a	BUILDING, PAINT, ETC.					
73 1/2	67	British Electric 3 1/2% 1976-79	69 7/8	70 1/4	4 12 4	6 6 7	64/-	44/10 1/2	5 1/2 b	3 a	3 a	Associated Portland	£1	53/3	53/-	3.15	
84 7/8	78 3/4	British Gas 4% 1969-72	84 1/4	84 1/2	4 8 5	6 6 3	28 1/2	19/10	7 1/4 b	4 a	4 a	British Plaster Bd.	£1	22/9	22/-	5.68	
82	76	British Gas 3 1/2% 1969-71	81 1/4	81 1/2	4 8 5	6 6 3	28 1/2	19/10	10 b	6 a	6 a	Richard Costain	£1	15/7 1/2	15/7 1/2	5.12	
59 3/8	50 3/4	British Gas 3% 1980-95	53 1/8	53 1/2	4 11 3	6 7 1	26/10	15/6	10 b	6 a	6 a	Critical Mfg.	£1	10/7 1/2	11/-	6.82	
70 3/8	64 1/2	British Transport 3% 1968-73	74 1/4	74 1/2	4 16 3	6 4 7	13/-	9 1/4	10 b	5 a	5 a	International Paints	£1	10/6	10/6	7.62	
80 7/8	74	British Transport 4% 1972-77	77 3/4	77 3/4	4 9 0	6 5 4	18/6	10/-	12 1/2 b	5 a	5 a	London Brick	£1	93/6	96/-	3.65	
61 1/2	53 1/4	British Transport 3% 1978-86	56 1/2	56 1/2	4 14 6	6 8 7	105/6	83/9	25 c	25 c	25 c	Rugby Portland	£1	54/9	53/3	3.15	
												Taylor Woodrow	£1	19/7 1/2	19/7 1/2	5.19	
												Wall Paper Delf.	£1	136/6	137/4 1/2	3.64	
Prices, 1961		DOMINION AND CORPORATION STOCKS		Price, Dec. 6, 1961	Price, Dec. 13, 1961	Yield, Dec. 13, 1961		Prices, 1961		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Dec. 6, 1961	Price, Dec. 13, 1961	Yield, Dec. 13, 1961	
High	Low					£ s. d.	£ s. d.	High	Low			High	Low				
82 1/4	76 1/2	Australia 3 1/4% 1965-69	80 1/2	81	6 12 0	21/3	20/3	14 b	6 a	6 a	6 a	ALBRIGHT & WILSON		£1	22/-	22 1/4	4.47
101 1/2	92 3/4	Ceylon 4% 1974-76	97 1/4	97 1/4	6 7 0	58/9	30/7 1/2	7 b	6 a	6 a	6 a	BORAX DEF.		£1	15/4 1/2	15/4 1/2	3.71
101 1/2	92 3/4	Ceylon 4% 1974-76	97 1/4	97 1/4	6 7 0	58/9	30/7 1/2	7 b	6 a	6 a	6 a	FISONS		£1	30/10 1/2	31/7	10.12
80 1/2	70 1/2	New Zealand 6% 1976-80	95 1/2	95 1/2	6 11 0	26/10 1/2	14/6	10 b	5	5	5	I.C.I.		£1	56/-	58/3	4.72
81	73	Rhodesia and Nyasaland 6% 1978-81	76 3/4	77 1/2	8 13 0	101/10						MONSANTO		£1	15/6	16/-	4.69
59	53 1/2	South Africa 3 1/2% 1965-67	80 1/2	80 1/2	8 2 0	36/-	24/-	8 b	4 a	4 a	4 a	DRAPERY & STORES					
81	73	Southern Rhodesia 4 1/2% 1967-92	57 1/2	58	8 9 0	97/3	58/6	20 b	7 1/2 a	7 1/2 a	7 1/2 a	BOOTS PURE DRUG		£1	27/-	27/9	2.16
94 3/8	85 1/8	Agricultural Mortgage 5 1/2% 1980-85	88 3/4	89 1/2	6 11 0	55/0 3/4	47 1/2	54 1/2	13 1/2 b	13 1/2 b	13 1/2 b	MONTAGUE BURTON		£1	94/-	97/3	2.83
89 3/8	82 1/4	Birmingham 4 1/4% 1967-70	85 3/4	86 1/2	6 7 0	59 1/4	33 1/4	16 1/2	13 1/2 b	13 1/2 b	13 1/2 b	DEBENHAMS		£1	58/3	58/-	3.31
93 1/2	86 1/2	Bristol 3% 1976-79	88	88 1/2	6 7 0	46 3/4	33 1/4	16 1/2	13 1/2 b	13 1/2 b	13 1/2 b	G.U.S. 'A'		£1	52/6	52/6	3.12
93 1/2	86 1/2	Corporation of London 5 1/4% 1976-79	88	88 1/2	6 7 0	21 1/2	14/3	7 1/2 b	5 a	5 a	5 a	MARK'S INVEST.		£1	15/3	15/3	3.75
48 3/4	41	L.C.C. 3% 1920-42	42	43	6 18 0	106/9	85 1/2	32 1/2	15 a	15 a	15 a	LEWIS & SPENCER		£1	103 1/2	103 1/2	2.29
89 3/8	80 1/8	L.C.C. 5% 1980-83	83 1/4	83 1/2	6 9 0	53/10 1/2	34/10 1/2	20 b	10 a	10 a	10 a	UNITED DRAPERY		£1	47/10 1/2	48/10 1/2	3.07
93 3/4	84 1/4	Middlesex 5 1/4% 1980	88	88 1/2	6 9 0	62 1/2	50/-	25 b	10 3/4 a	10 3/4 a	10 3/4 a	WOOLWORTH		£1	52/-	52/3	3.43

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The Fellowship will be for a period of twelve months and will include both practical and theoretical training.

Qualifications:

Recent degree in economics, economic statistics, operational research or other appropriate disciplines and, if possible, professional experience.

Candidates should be willing, and give some proof of being able, to accept professional responsibility in teams dealing with educational planning, particularly in developing countries.

Knowledge of either English or French; knowledge of one other language of the Mediterranean countries would be an advantage.

Application to the Directorate for Scientific Affairs, O.E.C.D., 3 rue André Pascal, Paris XVIe, before 15th January, 1962.

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WORK STUDY OFFICER required to introduce and maintain work study techniques in the Council's service. Candidates should hold a University degree or a professional qualification and have had formal training in work study followed by at least two years' experience in large organisations. This is a new post suitable for a man of personality who is prepared to work on his own initiative.

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The person appointed must be prepared to deliver Lectures in the subjects Commercial Law I and II and Trustee Law to the standard required for the B.Com. degree and for the Professional Associateship examination. The present arrangement of staff in the Department makes it desirable that he should lecture in Company Law, Trustee Law and Negotiable Instruments. Applicants will be expected to have the degree of LL.M. or its equivalent and to have had some years of practical experience in a legal office. Overseas applicants are informed that the law of New Zealand is substantially the same as the law of England, subject, in the case of some of the subjects for the degree, to statutory modifications. Intending applicants need not be deterred by the fact that their training has been wholly in the law of England.

LECTURERSHIPS IN ECONOMICS AND ECONOMIC HISTORY

The Lecturer in Economics will be expected to teach and examine courses primarily in banking and public finance, and to undertake research in this field, but he may also be required to do some teaching and examining in elementary economic theory. The Lecturer in Economic History will be expected to teach and examine courses primarily in economic history and to undertake research in this field, but he may also be required to do some teaching and examining in the more elementary stages of economic theory.

The salary ranges are:
Senior Lecturer: £1,750 p.a., rising to £2,000 p.a. by three annual increments, two of £100 and one of £50.
Lecturer: £1,250 p.a., rising to £1,700 p.a. by annual increments of £75 each.

Commencing salary within the respective ranges will be determined according to qualifications and experience. Travel and removal expenses are allowed within certain limits. Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. Applications close on 20th January, 1962.

LANCASHIRE COUNTY COUNCIL

RESEARCH ASSISTANT required in Planning Department at PRESTON. Con qualifications and experience within range £645-£1,110 per annum.

Applicants should possess a good honours degree in economics, geography, sociology, related subjects and should be interested in problems of industry, population and housing. Applications, giving details of age, education, career to date and some indication of salary required, to the Personnel Officer, Carrow Works, Norwich.

KWAME NKUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI, GHANA

Applications are invited from suitably qualified honours graduates for two posts as **LECTURERS IN ELECTRICITY** in the Physics and Social Studies Department of the University.

Applicants must have specialised knowledge in any two of the following branches: Meteorology and Climatology, Geomorphology, Political Geography, Economic and Human Geography, History of Geographical Discovery. The lecturers appointed will work mainly with students reading for a General Degree in Geography. They may be asked to contribute to the development of a broad scheme of studies to be offered to technological students. This scheme will lay stress on the study of African history, institutions, cultures, etc., and applicants should state any particular interest and experience they may have in this field.

Appointments are normally for five years and may be renewed; three months' notice of resignation or termination of an appointment is required on either side. Contract Salary Scales are:
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Application forms may be obtained from the Assistant Registrar, Kwame Nkrumah University of Science and Technology, 29 Tavistock Square, London, W.C.1, who will also be glad to answer any questions about living conditions in Ghana. Completed application forms should be sent together with two recent testimonials should reach him not later than 20th January, 1962.



The Wellcome Foundation require for their Biological Control Laboratories a Statistician to take charge of their Statistical Unit at Dartford.

Applicants should possess a degree in statistics or mathematics, or an equivalent professional qualification. The work entails the design and analysis of routine biological assays and of research projects. Previous experience in this field would be an advantage. Salary according to qualifications and experience. Applications should be made in writing to the Personnel Manager, Wellcome Chemical Works, Dartford, Kent.

THE ECONOMIST INTELLIGENCE UNIT invites applications from economists to fill a vacancy on the research staff of their Transport Research Department. Applicants should have a good honours degree in economics, preferably with some business or research experience in the field of transport. Applications, with details of qualifications and experience, should be sent to the Managing Director, The Economist Intelligence Unit Limited, 5 Bury Street, St. James's, S.W.1.

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Candidates should preferably be in their mid-20's and have some experience in market research. (Associate Membership M.R.S. an advantage.) A degree would be useful though not essential. This will be a permanent position in a wide field in food products. Please write in confidence, giving details of age, education, career to date and some indication of salary required, to the Personnel Officer, Carrow Works, Norwich.

UNIVERSITY OF DURHAM KING'S COLLEGE, NEWCASTLE UPON TYNE, 1.

The Council of King's College invite applications for FIVE LECTURERSHIPS in ECONOMICS from 1st October, 1962, or such earlier dates as may be arranged. Salary scale £1,050 by annual increments of £50 to £1,400 and then by increments of £75 to £1,850 (efficiency bar at £1,550) with initial placing according to qualifications and experience. Family Allowance and I.S.S.I. benefits. Applications (two copies) which should include the names and addresses of three referees, should be sent, not later than 20th January, 1962, to the Registrar and Secretary of King's College, from whom further particulars can be obtained.

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THE UNIVERSITY OF MANCHESTER SIMON FELLOWSHIPS

The University offers a number of Simon Fellowships for advanced study or research in the social sciences. This term is used in a wide sense to include not only Economics, Government, Sociology, Economic and Social Statistics, etc., but equally fields such as the Organisation of Business, Education, Jurisprudence and Social Medicine. Values within the range of £1,150-£2,050 per annum (Simon Research Fellowships) or within the range of £2,150-£2,550 per annum (Simon Senior Research Fellowships), according to qualifications and experience. They are open to members of the public services as well as to persons with academic experience. Applications should be sent, by January 15, 1962, to the Registrar, University of Manchester, 13, from whom further particulars may be obtained, and who will be pleased to answer any enquiries regarding the scope of the Fellowships.

THE UNIVERSITY OF LEEDS DEPARTMENT OF HISTORY

Applications are invited for appointment as Lecturer or Assistant Lecturer in Modern History at a salary on the scale £1,050 x £50—£1,400 x £75—£1,850 (efficiency bar at £1,550) a year for a Lecturer, or within the range £800-£950 a year for an Assistant Lecturer, according to age, qualifications and experience. Preference will be given to candidates having qualifications in Modern European History. Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach The Registrar, The University, Leeds, 2 (from whom further particulars may be obtained, not later than 20th January, 1962).

UNIVERSITY OF HONG KONG SENIOR LECTURERSHIP IN ECONOMICS

Applications are invited for the above-mentioned post. Applicants should have experience in teaching and research, and those with an interest in the economic problems of the Far East will be preferred.

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Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. Applications close in Hong Kong and London on 15th January, 1962.

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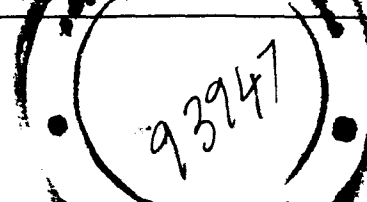
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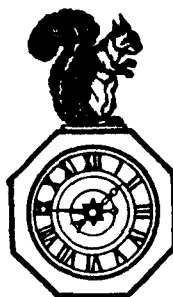
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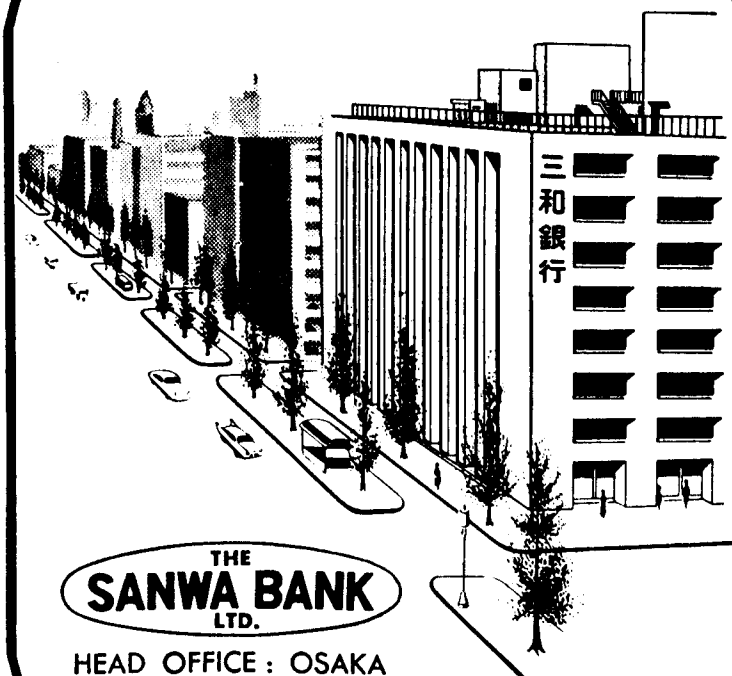
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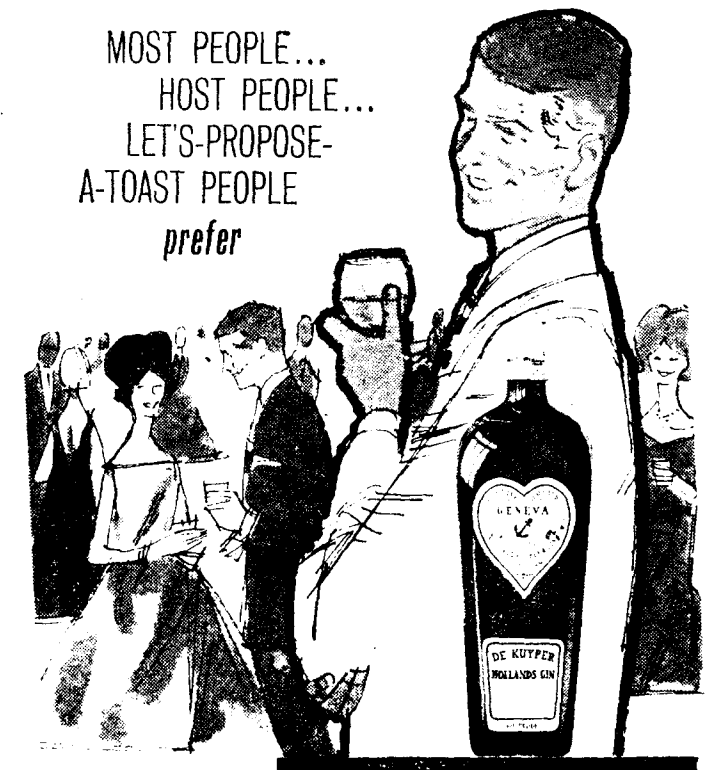
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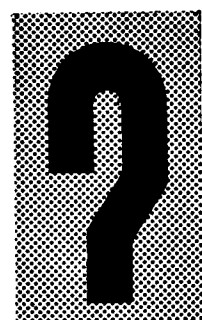
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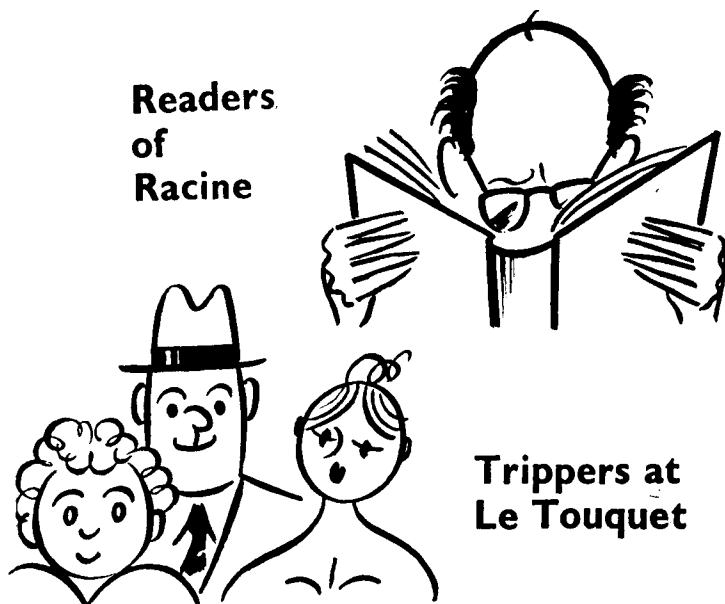
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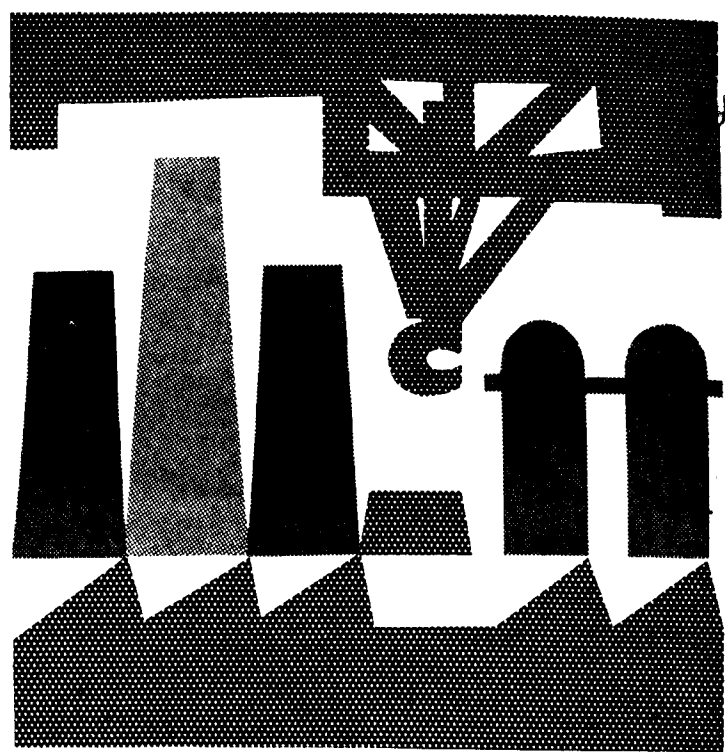
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D. B. A.

Ducellier - Bendix - Lockheed - Air Equipement

The recent merger of the D.B.A. Company with the French Lockheed Hydraulic Brake Company provides an occasion to review the growth of this important French firm.

I. - D.B.A.'S HISTORICAL BACKGROUND

Established in 1830, Ducellier merged with the former R.B. & T.E.M. Companies to become the foremost French manufacturer of

AUTOMOTIVE ELECTRICAL EQUIPMENT

80% of French cars are equipped with units manufactured by D.B.A.'s Ducellier division in its seven factories employing 4,200 people, mainly in the centre of France (Auvergne).

Formed in 1920, Bendix has become the most important French and European manufacturer of

AUTOMOTIVE BRAKES

(for private and commercial vehicles)

90% of French cars are fitted with brakes made by D.B.A.'s Bendix division in its two Paris factories, employing 2,500 people.

Lockheed, formed in 1930, is now one of the major French and European producers of

HYDRAULIC BRAKE CONTROLS

95% of French cars are equipped with master cylinders, wheel cylinders, piping and liquids manufactured by D.B.A.'s Lockheed division in the three factories at Saint-Cloud, Beauvais (Seine & Oise), and Montrond (Loire), employing 2,000 people.

Air Equipement, established in 1934, has become one of the leading French manufacturers of

AERONAUTICAL EQUIPMENT

A special interest in this field are the servodynes used in the controls of the Concorde. Air Equipement will shortly deliver the superservodyne to equip Concorde intended for the U.S. market.

A special test and research centre is to undertake the further development of the products now manufactured by the Air Equipement division at its two works, one at Asnieres (near Paris), and the other at Blois (Loire-et-Cher), which together employ 2,300 people. Altogether D.B.A. employs 11,000 people in 14 factories, located in different parts of France, with a turnover of 400,000,000 N.F.

In addition, the Roto-Diesel Company, founded by D.B.A. and Lucas, has begun mass-production of

DIESEL INJECTION PUMPS

at its works at Blois, where there are 600 employees.

II. - FINANCIAL ASPECT OF D.B.A.

By following a careful policy of strict self-finance, D.B.A. has been able to carry out successfully its development and modernisation without recourse to the assistance of its shareholders or to capital loans from outside sources.

The Company is in a position to meet any partial market recession.

Although this policy of financial independence may have limited dividends to the shareholders, this has been offset by the issue of bonus shares as a result of the incorporation of sundry reserves into the Company's Registered Capital.

The wisdom of this policy has shown itself noticeably on the Stock Exchange market, where, during the last ten years, the quoted prices of the Company's shares has increased forty-fold.

III. - TECHNICAL ASPECT OF D.B.A.

During the last three years D.B.A. has made great efforts to bring its mass-production methods into line with those of the largest manufacturing organisations.

The extensive growth of the research and engineering departments, following the recent mergers (and particularly that with Lockheed) has permitted centralisation of engineers, who are now able to specialise where hitherto they were duplicating their functions in competing concerns.

— The pooling of patents.
— The creation of laboratories and modern testing plant with all the appropriate equipment, in which are tried the new techniques which are the basis of future development of:—

alternators	automation
disc brakes	nuclear energy
electronics	

— The building construction and expansion of existing premises.

The original total surface area of 150,000 square metres has been increased in the last three years by 50,000 square metres of plant and laboratories of the most up-to-date design, providing the very best working conditions. This new area is distributed as follows:

12,000 square metres around Paris	16,000 square metres at Beauvais
20,000 square metres at Auvergne	2,000 square metres at Blois

A new three year scheme is under consideration to continue this building expansion.

— The renovation and rationalisation of machinery and tools on a substantial scale.

During the last three years 40,000,000 N.F. have been spent on the improvement of production methods, and on the installation of modern specialised and automated mass-production machinery, developed by D.B.A. technicians.

— Market research has been undertaken to ensure sales development, both inside France and abroad, and also to ensure sufficient raw material supplies at advantageous prices.

— The establishment of a Personnel Training Department to help the staff make the best of their opportunities for promotion within the firm.

IV. - THE ECONOMIC ASPECT OF D.B.A.

Under the influence of the Common Market, the market in Europe has shown a strong tendency for firms of medium size to amalgamate and form powerful units with the financial backing of international companies of high standing.

D.B.A. is one of the most striking examples of such amalgamations to have taken place in France during the last three years.

In 1959 D.B.A. was already a powerful group of French automotive and aeronautical producers.

The Lockheed merger is a marriage of convenience which, by linking the production of the mechanical (Bendix) and hydraulic (Lockheed) brake components, gives D.B.A. control of the French brake market, and puts them in a very strong position to compete in German and Italian markets.

Their technical and financial resources and their industrial potential permit D.B.A. to guarantee the supply of high quality brake equipment at low prices to European vehicle manufacturers, factors which should induce those manufacturing brakes themselves to follow the lead of French vehicle manufacturers, and avail themselves of D.B.A. facilities.

In the remaining sectors of D.B.A.'s activities the Company has studied the adaptation of its products to every type of vehicle manufactured in Europe. Italian and German vehicle manufacturers who have been contacted, have been impressed by the industrial potential and the facilities offered by the D.B.A. organisation, a fact which assures the project an interested reception.

The world distribution of French cars has encouraged D.B.A. to build up a large international commercial network and to grant manufacturing licences to a number of countries, including South America and Spain.

The increased potential of D.B.A. after these amalgamations, especially that with Lockheed, enables it to begin a further significant stage in its commercial development.

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HOME

House Divided

Britain's survival depends on the matching of growth in the economy with the growth in Britons' expectations, and on the matching of trade unions', and others', ideas with that reality (p. 875).

Passing the buck to the chairmen of nationalised industries may lead to their bucking the pause : the Trades Union Congress's passing-up of an invitation to plan may lead to their being by-passed (p. 882).

A pact between Labour and Liberals now might succeed only in entrenching their Tory rivals (p. 884). Shadow cabinet reshuffle (p. 890).

Passage of Arms

There are ways in which the army could fill its recruiting gap without conscription: and there are ways of redeploying the forces without squandering security (p. 880).

The two remaining wholly British manufacturers of popular cars are due to clash soon in the small-car field (p. 943).

Mr Foulkes, by a stratagem, has brought the advance of his anti-communist enemies to a halt (p. 890).

In the cab war, the taxi side has inflicted a wound on the mini-cabs : but the weapon used has, on its follow-through, done a mischief to its wielders (p. 887).

Room for Improvement

The Air Transport Licensing Board's yardstick for measuring the applications of independent airlines might advantageously be used for beating Mr Thorneycroft (p. 945).

Uproar over the new Greater London Council proposals is largely the end product of political intakes of breath : the source should not blind less partisan observers to some potential weaknesses (p. 883).

Local authority responsibility for grants towards training is a serious flaw in the Government's bill on social workers (p. 887).

The supply of new houses in Britain exceeds the estimated need, not because too many are being put up but because too few are knocked down (p. 891).

The vehicle testing programme will not succeed unless Mr Marples gives garages enough time (p. 959).

Cupboards Bare

A British draft on US gold reserves has added to the US Treasury's burden (p. 946); they are short of silver, too, but panic is far off (p. 904).

EUROPE

Things British:

Britain's approach to the common market, outlined in Mr Heath's now famous speech, is bold where Britain's own domestic interests are concerned—but loyal, and potentially undynamic, when it comes to negotiating Commonwealth interests (p. 876).

There is no absolute law that the Commonwealth must be consulted at all—even though consultation does the necessary and important job of keeping the Commonwealth together (p. 878).

Things European:

In Brussels, the negotiators are slowly feeling their way forward (p. 877).

The Six are feeling their own way towards putting a common agricultural policy into practice (p. 879).

President Kennedy has been clearing the State Department's decks for the diplomatic action which he expects in Europe and for his new and connected freer trade policy (p. 903).

In France, President de Gaulle has reminded the armed forces that their prime duty is obedience to the state (p. 882).

Mr Khrushchev has reminded the Finns that their prime duty is to be acceptable to the Russians (p. 883).

INTERNATIONAL

Russian Roulette

In *Izvestia*, former newspaperman Kennedy has brilliantly presented the Western case (p. 882).

But no one has yet convinced Herr Ulbricht (p. 883).

Mr Gomulka, trying honestly to explain stalinism, is not always convincing (p. 917).

Poker

Where the future is a gamble :—

Congo : The United Nations has given a decisive mandate on Congo policy to U Thant. A lot depends on how it is used (p. 913).

Kenya : Until Mr Maudling's visit last week, Kenyans were talking themselves into a Congo situation ; the Colonial Secretary has told them to talk themselves out of it (p. 914).

Syria : The army is determined that Syrian politicians shall talk themselves into stability (p. 884).

South Africa : Dr Verwoerd is in two minds about the Jews—as they are about him (p. 888).

Chess

Moves in America :—

The Republicans find it hard to decide whether they need the votes of segregationists or Negroes more (p. 906).

Washington contains a unique centre for research into economics and political science (p. 909).

Urban renewal has not been enough—yet—to restore Pittsburgh's capacity to grow (p. 907).

Moves elsewhere :—

President Nasser is, unhappily, looking at international plots once again (p. 884).

Dr Amini has little need to worry about politics : the Shah will, for a while, rule Persia by decree (p. 917).

Mr Menzies is presently concerned with politics (p. 918).



Stability and a coherent economic policy give hope of economic advance. A special survey appears on pages 923-940.

Detailed contents on page 875