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DECEMBER 23, 1961

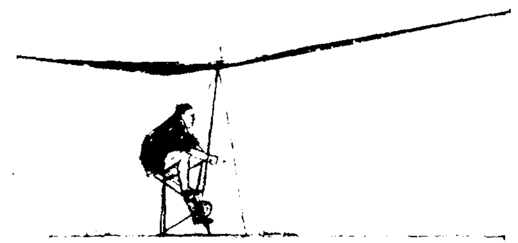
FOUNDED 1843

One Shilling and Sixpence

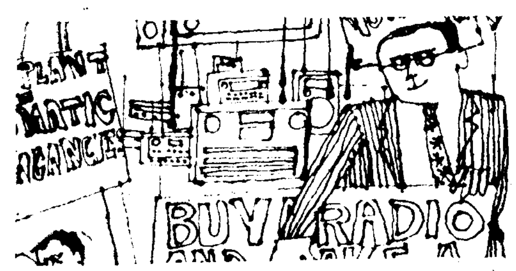
Micromegaton

The Abdication

by Mr Smith



The Icarus Urge



Sorcerer's Christmas

ICI-COURTAULDS: MAN-MADE MONOPOLY

PAY PAUSE: MISGUIDED LIGHT • GOA: FALLEN IDOL

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WRITE THE ECONOMIST YOURSELF SEE OVER

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THE ECONOMIST WRITE IT YOURSELF

December 22, 1961

Members of the staff of "The Economist" rely, at Christmas even more than at other times, on certain stock references, phrases and attitudes to enable them to present any sort of paper to their readers. This year we have decided to let the consumer in on the fascinating Alphabet which is consulted for these items, in the hope that next year it may be unnecessary for us to produce a Christmas issue at all, since readers will then be able, from the useful hints given, to compile their own "Economist"—a Christmas game which fulfils the three requirements of being Instructive, Fascinating and Time-Consuming.

A is for Arms and the Man. *When in doubt, this is the quotation.* As a title susceptible of infinite variation, it covers Adenauer, British defence policy, Nato defence policy, both Ks' defence policy. It covers armaments, disarmament, rearmament and arms control. Properly used, it can cover the activities of the United States Congress, the Berlin crisis, HM Government, Mr Cousins, the United Nations, General de Gaulle, Earl Russell and every other Old Uncle you can think of.

A is also for *Alice*. Everybody's bedside book—*when in doubt, this is the work to quote.*

B is for Bank Rate and Berlin, depressing subjects unsuitable to appear in a Christmas issue of *The Economist*.

C is for the Crunch. This interesting animal is always to be found lurking among the hard, economic facts (see H) and is what you come to when you have to justify a change of policy, such as abandoning the Cwth (an ex-favourite for C).

D is one of the most useful letters in the Alphabet. It solves your cover problems, as it begins all such words as Disinflation, Disaster, Don't, etc., which you will naturally want to display very frequently. *D is also for Deletion—the tried and tested method of dealing with your subordinates' best ideas.*

E is for Europe. It is also for *The Economist*, and that about sums up the relationship between them.

F is for *the First paragraph of every leading article, which should always be written last.* Also for Facts, which may be Few and Far Between.

G **is for the Guide to Contents, which usually appears on this page. Many write it. Who knows how few read it? We wish you joy compiling it.** Also for Grammar; ignore this.

H is for the Hard, Economic Facts (see C). These justify any villainy.

I is for Inaccuracy. This is of two sorts: the sort you later correct yourself, and the sort you print letters about from people whose interests you have affronted in an earlier issue. *I is also for Insertion, the tried and tested method of altering copy so that you can say two or more contradictory things at the same time.*

J is for Yugoslavia.

K in the singular is for K. In the plural it is for JFK too. K is also for Keynesian, to show that you still know some economics.

l is for liberal, or policies that you approve of; **L** is for Liberal, a party you almost approve of.

L is also for Length: if you can read your *Economist* through at one sitting, it is too short. *Also for the Last sentence of every Leading Article, which should always be written First.*

M is for Misleading—the accepted adjective for describing all political and some City statements.

N is for No—what you say to Ministers and leading businessmen.

O is for Ought. An indispensable word, one that ought to come in the beginning, middle and end of every note and leading article in your *Economist*.

P is for Pat. Where you will find yourself and other people standing far too often. P is also for Pot-shots at Punctuation.

Q is for Quotations. There are two kinds: those from literature, which you use freely to make your readers feel they are getting their money's worth (see A); and those on the Stock Exchange, which should be shunned, as they do nothing to increase the paper's reputation for literary skill.

R is for Realism. This justifies every idealistic attitude, such as being nice to Negroes, Europeans and Russians.

S is for Style. You will have to achieve this by guesswork, as the Style Sheet is out of print. But don't worry—the paper's anonymity means that the readers will assume that every piece is written in the same style as every other piece, whether it is or not.

T is for Taxation. You will recommend more of this for the poor and less for the rich ("an incentive economy").

U Thant is for the UN, and so must U be.

V is for Visual Appeal, which you get by chamfering the corners of your new building.

W is for Walter Bagehot—plain Bagehot to the rest of the world; in *The Economist*, the addition of his Christian name is a substitute for a modest cough, drawing attention to the fact that he was once the editor.

X is for Xmas of course. Your Christmas issue ought to have lots of gay articles in it, which usually grow less funny towards their end (like this Alphabet).

Y is for Yes. We don't use Y.

Z is for Zig-zag, the course taken on all policy issues that arise between June and September because staff writers come back and write dissenting opinions from those voiced in the paper (by staff writers) while they were on holiday.

The Economist

DECEMBER 23, 1961

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Micromegaton

(with profound apologies to Voltaire, from whose classic work of science fiction, "Micromegas," this is over-freely adapted).

ON one of the planets that revolve round the star Sirius there lived an intelligent young man called Micromegaton, a name well suited to a large man. His height was in fact about twenty-five miles.

At the tender age of 250, while still studying at the local Jesuit college, he solved fifty of the problems of Euclid by sheer brain power. As a grown youth of 450, he dissected a number of his planet's smallest insects, which are only a few hundred feet long, and wrote an excellent book about them, which, however, led him into trouble. A local mufti found in it assertions savouring of heresy. Micromegaton defended himself spiritedly, and won over all the women to his side. The case went on for 220 years. In the end the book was condemned by a bench of judges who had not read it, and the author was banished from court for 800 years. He was not greatly distressed. He wrote a rather witty song about the mufti, and set out on a journey to improve his mind.

We on our little heap of mud, who think we are conquering space when one of us is lifted off the ground to about five times the height of a Sirian in his socks, would naturally be astonished at Micromegaton's methods of transport. Understanding all the forces of gravitation, attraction and repulsion, he went from globe to globe as a bird flits from bough to bough; and, in the course of a long tour, he eventually reached the planet Saturn.

At first he could not help smiling when he saw its inhabitants, who are dwarfs less than five miles in height. But he was quick to realise that a thinking being is not necessarily ridiculous just because he stands only 25,000 feet high. He sought out the secretary of the Academy of Saturn, and, lying down so that the secretary could come close to his face, embarked upon philosophical conversation.

"Tell me first," he said, "how many senses men have in your world."

"We have seventy-two," said the academician, "and for all the fairly numerous emotions that arise from them, we have ample time to get bored."

"I understand," said the Sirian, "for although we have nearly a thousand senses, we suffer from a vaguely uneasy feeling that we are imperfect beings and of little account. How long do you live?"

"Alas, we live for only 500 revolutions of the sun*. Hardly has one begun to improve oneself a little when death arrives."

"I would be afraid of distressing you, if you were not a philosopher," said Micromegaton, "by telling you that our life is 700 times as long as yours. But I have met peoples who live a thousand times longer than that, and who still complain. It must be one of nature's universal laws."

After further discussion, they decided to make a little philosophical excursion together. First they spent a while on Jupiter. Then, taking advantage of a passing comet, they crossed several hundred million miles of space and came near to Mars. Mars seemed so uninvitingly small that they hastened past it, like travellers who, scorning a miserable village inn, push on to the next town. They soon regretted this, for they travelled some distance without finding anything else. At last they saw the feeble glow of the Earth, and, fearing they might repeat their mistake, they decided to land there. Observing that three-quarters of the Earth was

* 15,000 terrestrial years.

waterlogged, they looked for high ground to land on, and alighted, very gently, in the Gobi desert, towards the end of the year 1961.

After a little rest, they ate for lunch two mountain tops broken off from the Altai range, which were nicely chilled with snow, and then thought of exploring the little country they had found. Micromegaton thought the sunny patches across the Himalayas to the south looked attractive ; but the dwarf from Saturn did not feel energetic enough to scramble over Tibet, where some of the ridges were fully as high as himself. Looking east, the Sirian saw that a few strides would bring him into the water. The north looked dark and draughty. So they set off westward across Siberia. A minute's walking brought Micromegaton to the Urals ; pausing there to let the panting Saturnian catch up, he heard a faint noise. He looked into the Arctic gloom on his right, and saw a puff of smoke rising, it seemed, from an empty patch of ice and snow. Our travellers strolled over to Novaya Zemlya to inspect this first sign of terrestrial activity. They thought to find a small volcanic crater ; but, peering about in the half-darkness, they found nothing to account for the mushroom-shaped cloud that had risen to the level of the Sirian's waist, and the wind soon dispersed it.

They turned west again, and soon the dwarf, who had been looking for something to sit down on, was resting on a Norwegian mountain of comfortable dimensions. Water again lay before them, and he expressed reluctance to get his feet wet in further exploring a wretched little globe obviously devoid of interest. With some trouble, Micromegaton got his friend to accompany him through the water to America. At first the Atlantic proved shallow, but south of Newfoundland the dwarf found himself in up to his chest. His face being thus quite near the water, he noticed a floating object about as long as his thumb, which he took for a small fish. Taking it up very gently for fear of crushing it, he brought the transatlantic liner close to his eye, and perceived a number of tiny specks scurrying about on it (the passengers and crew having been naturally alarmed). The Sirian's curiosity was much aroused, and both the travellers now examined their find closely through powerful lenses.

What fascination they experienced when they saw the mites moving about in apparently purposeful ways ! The Saturnian, rapidly passing from scepticism to undue credulousness, thought he observed them propagating their species. "Aha," said he, "I have caught Nature redhanded." But he had been deceived by appearances : something which can easily happen, whether or not one is using a magnifying-glass.

Micromegaton, who was much the more careful observer, soon perceived that the tiny atoms were talking to each other. The dwarf, already ashamed of his error about procreation, refused to believe that such mites could have anything to talk about. But the Sirian, trimming one of his nails with scissors, made the paring from the nail into a kind of speaking-trumpet, and placed the small end in his ear, while applying the outer edge to the ship. This enabled him to hear the buzzing of the human insects quite clearly. He quickly distinguished words, and before long was able to understand them. The Saturnian was a little slower to do the same ; he was, after all, having to master several different languages simultaneously, for the ship was carrying a large number of delegates returning from a session of the United Nations in New York.

Our travellers' astonishment grew as they heard the mites talking tolerably good sense. Impatient to converse with them, they were afraid of deafening them by the thunder of their voices. Each of them placed in his mouth a kind of small toothpick, with the finely tapered end up against the ship ; and, having taken various other precautions, Micromegaton said, in a very low voice :

"Invisible insects, whom the Creator has placed in this abyss of the infinitely small, I thank Him for having permitted me to discover secrets that would have seemed unfathomable. Although others might not deign to look upon you, I despise nobody, and I offer you my protection."

On hearing these words, the people on the ship became still more bemused. The sailors swore loud oaths, the ship's chaplain recited prayers for casting out devils, and all the speculative minds on board speculated wildly but in vain. The dwarf, whose voice was softer than the Sirian's, did his best to explain matters ; and, after sympathising with them for being so tiny, he asked if they had always been in this state so near to complete non-existence ; whether they were happy ; whether they reproduced themselves ; whether they had souls ; and many other questions.

One bold spirit on the ship, outraged that anybody should doubt that he had a soul, took sights on the Saturnian with a quadrant and then said:

"Sir, you assume that just because you stand 25,000 feet high——"

"What!" exclaimed the dwarf, "This atom has measured me! He is a mathematician!"

"I can measure your big friend, too" said the other. Accordingly Micromegaton, carrying the ship, walked over to Newfoundland, and lay down upon a forest. One of the trees he had knocked down was placed on a part of his anatomy which Dr Swift would name, but which I, from respect to the ladies, will not, and it was quickly established by triangulation that he was a young man twenty-five miles long.

"I see more clearly than ever," said the Sirian, "that nothing should be judged by its seeming size."

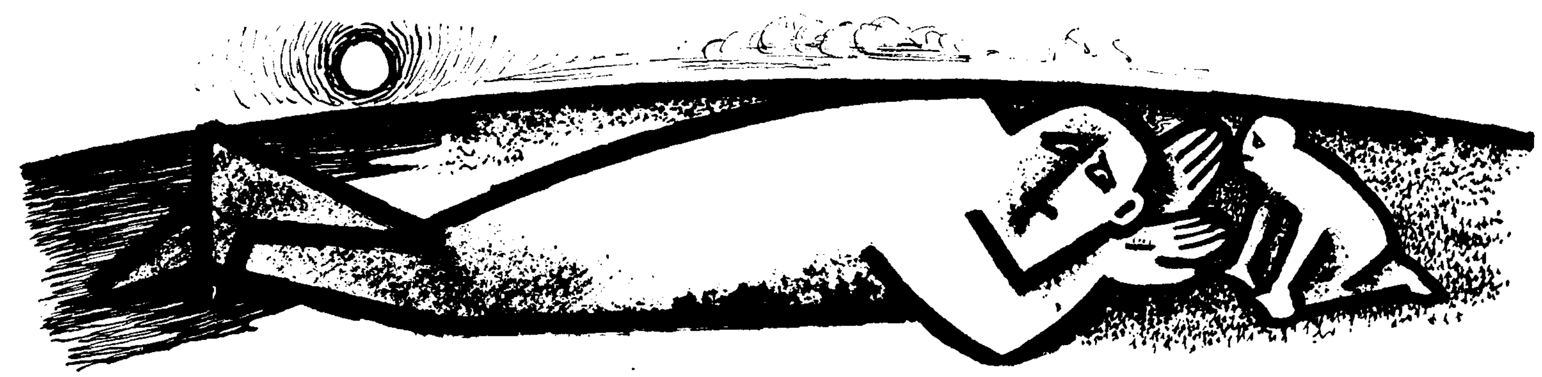
The more our travellers learnt of the insects' scientific ability, the more they marvelled. Soon, however, they perceived that only a few out of the hundreds on the ship really understood these things. The others, while ready enough with boasts about television, jet aircraft, or the exploitation of nuclear energy, could not accurately describe the simplest methods of generating electricity. And there were hardly any among them who could properly explain how the foods they ate were produced. The Sirian realised that their society was one of intense specialisation, but he could not understand how it was organised.

"Do you, the few who understand the sciences, control and direct your ignorant fellows ?" he asked. With one voice, they assured him that it was the other way round.

"Does power, then, lie with the farmers who keep the rest of you from starving ?"

He learnt that agriculture was reckoned a backward way of life, that people everywhere flocked into the cities, that the rulers of states in which farming was the main activity were ashamed of this and dreamt only of industrialisation.

Micromegaton reflected that most of the Earth was under water ; and, comparing the tiny mites with the relatively huge vessel in which he had found them travelling, he inquired



whether ships were their most ambitious creations and ocean navigation the key to power on their planet.

A sad-looking elderly atom, whose rather affected voice was barely audible behind his heavy moustache, answered with regret that it had indeed been so, but times had changed, and even the building of ships of this size had come to an end.

The Sirian was told that the Earth's people now preferred to cross the water by cramping themselves, up to a hundred at a time, into flying capsules that moved at about a hundredth of his normal walking pace and at the level of his shins. He managed to keep a straight face when they spoke of their conquest of the air ; but could not help smiling when a particularly short-legged and bald-headed mite, brandishing his tiny fist, shouted that his nation had shown the superiority of its system by being the first to "conquer space."

Micromegaton learnt that this meant that a few months ago a mite in an even smaller capsule had been propelled round the globe, at something less than the Sirian's walking pace, and at a height of something over a hundred miles. The bald-headed mite, who seemed to have a great deal to say, shouted that the non-existence of God had been proved by the fact that the other mite who had thus circled the Earth had not seen Him in the sky. A leaner, pallid atom, interrupting with difficulty, fervently denied this. God, he insisted, hid Himself from the sight of the unworthy, even though the Earth's inhabitants were the highest form of His creation.

Micromegaton was shocked as well as amused by both these claims. Tactfully changing the conversation, he inquired what was the system the superiority of which the bald atom boasted. This earned him a tediously long lecture, full of propositions that he thought absurd. When the bald atom at last lost his voice, many other voices were raised to refute him ; but it seemed to the Sirian that refuting him was the only thing the others agreed about.

He now perceived that a number of mites who had taken no part in the argument were of a darker pigmentation than the others. When he questioned them, they told him that they cared little for the controversy between the pinker ones. Their main concern was the liberation of the darker mites of the Earth from the pink ones' rule.

The idea of any of these minute creatures asserting a right to govern others of the same species on the ground of a difference in skin colour made the Sirian smile again. But his amusement turned to perplexity when he learnt that the darker mites were all ambassadors representing independent states, and that, at the conference they had just attended, they had outnumbered the pinks. Pressed to explain, they admitted that most of the Earth's darker atoms had indeed been set free from pink rule already ; but, they said, the memory of their subjection was still so vivid that they could hardly think of anything but the liberation of the remainder. Micromegaton thought this a short-sighted, but a quite natural, attitude.

Turning back to the pink mites, he was distressed to find them talking of war. He learnt with surprise and indignation of the true nature of the puff of smoke that he had observed in Siberia. The bald mite, having recovered his voice, was now extolling the destructive power of his tiny armoury so shamelessly that the horrified Sirian was nearly moved to crush him. But he could not have done this without harming others who, although gathered around the bald one and evidently of his party, showed signs of dismay at his ranting about rockets, and thus earned the traveller's compassion.

The dwarf from Saturn was puzzled by the great importance the mites attached to their explosive rockets, since it seemed that no party dared to use them, for fear of retaliation.

"Why can you not agree," he asked, "to dispense with weapons that are both horrid and unusable ?" They all assured him that they wanted nothing more ; but, as they could not trust each other, they needed some means by which a general disarmament could be enforced, and no means had yet been found.

"Your remedy," said the Sirian, "is to subject all your quarrelling governments—have you really over a hundred of them ?—to the authority of a central power."

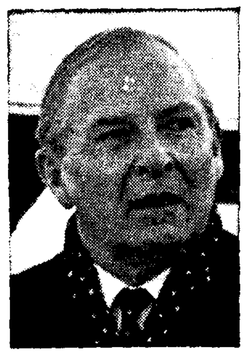
At this there was an angry murmuring about "world government"; the idea was denounced with equal vigour by the bald mite and by his most outspoken opponents, and no less strongly by the darker atoms.

A quiet philosophical mite, who had not previously spoken, now claimed the Sirian's attention. "Know," he said, "that the nature of our species is such that the only thing that will surely compel us to unite is some threat from what we (absurdly enough to your mind) call 'outer space'."

Micromegaton could not conceive of any of the beings he had encountered in other worlds coveting the little lump called Earth sufficiently to menace these poor creatures. But he concealed his scepticism, for he did not wish to rob them of a motive for resolving their difficulties.

As he and his friend took leave of Earth, he decided that he would return there, after a suitable interval, to see if its mites had yet resolved their problem. If they had not, he thought he would disguise the natural mildness of his disposition, and, by striking terror into their whole community, assist them to overcome their difficulties. But he did not expose his whole plan to them. Only, as he departed, he said:

"Do not weary of your efforts to order your affairs in a manner worthy of creatures whom God has endowed with such remarkable qualities. I shall meet you again."



Misguiding Light

What on earth did Mr Lloyd and Mr Hare mean by their mutually contradictory speeches in Monday's "wage pause" debate?

FOR some time now there has been a division of attitudes in the Government about economic policy: whether to try to counter inflation in 1962 by the weary old method of restricting total demand and under-utilising Britain's capacity for production, or to strike out at last for the alternative and faster route of evolving a wages policy. Last Monday's debate on the wages pause was the occasion to announce how this decision was to be resolved. Here we were at the fork of the road. The Chancellor of the Exchequer had come before the Commons to tell the country which fork he would take. In the event, he announced that he is going to wander a bit down both.

Down the fork marked " wages policy " he will travel hopefully ; along the other route, the country has the disadvantage that he will presumably arrive. His fiscal policy, Mr Lloyd told the House, in grisly anticipation of his next budget, will be designed to " stop home demand interfering with exports, attracting excessive imports, and causing inflation." His wages policy, about which he talked much more, was much less clearly defined.

Because " it will take a considerable time " before his proposed planning council is in place to provide a guiding light for wage increases, he agreed that the Government must provide the guiding light itself for the fiscal year 1962-63. At one time it almost seemed that he was about to switch it on. Over recent years, he said, production had continued to rise at 2½ or 3 per cent per annum. He hoped, if all went well, that Britain could do better in future, but it could not count on this in advance for 1962-63 (in view of his own expressed intention to hold down demand, this was an understatement) and " we have the immediate future mortgaged to some extent by agreements which have already been made." But then the grimly realistic guiding signal which he appeared to be lighting for a virtual wage rate and salary standstill in 1962-63 flickered out in a phrase that was a classic example of unstatistical circumlocution:

> There may be room for modest increases in certain cases, but, on the best judgment that can be made, any large increases in wages and salaries would serve merely to add to inflationary pressures. . . .

Mr Lloyd intends to talk further about this sort of guiding light to employers and trade unions early in the new year, but if he keeps on being as unspecific as this, he will not do much good for the country.

The danger of this sort of " politically cautious " statement is that every nationalised industry may suppose that it has been given latitude to offer whatever " modest increases " it feels to be necessary in order to avoid a strike, or in order to fulfil other private and institutional objectives. For example, London Transport seems already to be letting it be known, through the usual backdoor route of the labour correspondents, that it is itching to pay higher wages in order to be able to employ still more busmen to operate still more of its less economic routes. The fact that moderately inflationary increases had been granted to some workers would then be held to mean that it is " only fair " that these increases should be offered to other workers too ; nobody will point out that the very fact of these earlier increases would make further increases to other people still more dangerous. The Government will then be tempted to run away from go-slow troubles with certain civil servants by referring their claims to arbitration tribunals, who will work on the assumption that public servants must have the same increases as anybody else, even if they have been inflationary ones ; and private employers, such as those in engineering, will have to give modest way too.

It would no doubt be an exaggeration to say that the resultant wage increases for 1962-63 will then be as large as they would have been if all this talk about the pause had never started. The unions have been served notice that really exorbitant claims—above, say, 4 or 5 per cent—probably will be met by resistance to a strike ; possibly, if the unions are tactless about timing, some smaller claims may be met in the same way. But the " modest increases " that the Government is apparently preparing to accept and encourage will fall upon an economy in which, thanks to a restrictive budget, production is apparently hardly to be allowed to rise at all ; there seems bound to be a rise in costs per unit of output in the fiscal year 1962-63. Has the Government any plan to mitigate the ill effects of this ?

TO judge from Monday's debate, it looks as if Mr Lloyd has, if not a plan, at least one desperate hope. The Treasury apparently believes that (in Mr Lloyd's words) " there are going to be substantial opportunities for the expansion of our exports next year " ; it is difficult for the outsider to see why it does believe this, but this is its experts' genuine assessment, and on many parts of their past record they are entitled to respect. The aim, therefore, is apparently that Britain should pass through the next fiscal year with a better export performance but a stagnated home market. By the beginning of the fiscal year 1963-64 the new planning council (whose permanent staff is to be headed by the welcome figure of Sir Robert Shone) is meant to be in operation. It should then start its operations at a time when the domestic economy will be relatively depressed, and when there will be scope for a reflationary 1963 budget ; no doubt, it will also say that wage increases should not be much higher than those

actually achieved in 1962-63, but because the economy would then be on the point of being allowed to expand again they would lead to a smaller rise in costs per unit of output.

There would be lots of difficulties and inconsistencies in any such plan. If the forecast of favourable export prospects in 1962-63 proves wrong, the whole plan collapses ; if the forecast is proved right, the plan will aim somewhat inconsistently at delaying domestic expansion from a year with exceptionally favourable export prospects to a year with presumably less favourable ones (albeit also to a year more conveniently near to the next general election, and when the whole economic prospect may be dominated by our integration into Europe). But, above all, the plan assumes that some sort of long-term wages policy will emerge from this year's pause. And, in view of the obvious split of attitudes in the Government about it, this is very doubtful. To that split the final speech in Monday's debate bore blatant evidence.

THE winding-up speech by the Minister of Labour on Monday was really alarming. Every other sentence in it seemed implacably opposed to the Chancellor's concept of a wages policy—if indeed Mr Hare understands what a wages policy implies, which is admittedly doubtful. Using all the old phrases, Mr Hare boasted that the Government, in these last few months, " had endeavoured not to prejudice the position of arbitrators " ; but that is exactly what a wages policy needs to do. He said that he had not " in any way infringed the independence of wages councils " ; since the whole point of wages councils is that the Government has to decide whether to give statutory effect to their recommendations, this is a complete negation of what his ministerial responsibility under a system of official wage guidance should be. (Of course, he should never forbid employers to pay wage increases they have agreed upon, but forcing other employers to grant them should be a matter for his discretion.) He said that " the Government has not interfered with the negotiating arrangements or the terms of reference to arbitration in the private sector " ; but it is precisely on the terms of reference for arbitrators in the private sector that the policy of the guiding light is meant to impinge. He declared that " we all of us recognise the great merits of the present system of collective bargaining and arbitration " ; we don't, for the demerits of the present system of perpetual inflation through arbitration have plainly bred many of the worst ills of the British economy in recent years. Admittedly, at very long last, Mr Hare did proceed to note " one particular weakness " of this present meritorious arbitration system : " all too often the public interest is left on one side and the effect which one particular wage settlement would have on the rest of the economy can be, and sometimes is, ignored." But, hastily abdicating from responsibility again, he added : " here is a problem which requires the attention, not only of the Government, but also of both sides of industry."

It may be said that once a minister has got used to a certain sort of terminology about permitting wage inflation, it is very difficult to shake free of it ; but, after all, the Chancellor had just talked of establishing " a fully-fledged national incomes policy " as " really a novel experiment in this country." There is really not room both for the attitude taken by Mr Hare in his speech and for starting this " novel experiment." And without that " novel experiment " there must be doubt whether there will continue to be room for maintaining a still undevalued pound.

Fallen Idol

Whatever his difficulties, Mr Nehru ought not to have used violence to remove the question of Goa

INDIA had to expect a pretty severe drubbing from western opinion over the forcible annexation of Goa. Has it been more severe than the case demanded ? If so, one reason is the suddenness and obscurity with which the affair exploded early this month. Two Indian vessels had been fired on by the Portuguese, possibly in panic ; in a moment, India was demanding, in only too familiar accents, the instant evacuation of Goa, willy-nilly, and backing its demands up with force.

Events then ran their course. The Portuguese behaved with correctness in calling for international observers to report on the situation. India riposted by asking for negotiations on the basis of a prompt evacuation, which Portugal refused. The occupation of Goa by Indian troops began on Sunday, December 17th. The Indians had little cause for surprise when so many people concluded that the crisis had been manufactured by New Delhi in order to bolster the government's popularity with the voters before a general election (due in February), at a time when the Chinese were injuring its prestige, and in order to reassert India's anti-colonialist orthodoxy.

But the official Indian representation of the affair differs, at crucial points, from that of the Portuguese. According to the Indians, Portuguese provocation was not confined to the attacks on the two merchant vessels. In attempts to stifle unrest and to intimidate would-be refugees from Goa, Portuguese soldiers five times, subsequently, crossed the frontier and fired on Indian police and villagers ; Portuguese ships illegally patrolled the Indian coast and greatly alarmed its inhabitants. Indian public opinion has lately been much inflamed by the reports of Portuguese repression in Angola, and the climate no doubt favoured frontier incidents. Pressure built up for action by the Indian government, which may have begun to fear that if it did not move against Goa, it would find itself using violence to repress volunteer marches by its own people. Goa was thereupon annexed, with, the Indians say, remarkably few casualties.

Thus, to the Indians, it was the Portuguese and not themselves who provoked the crisis. Coupled with allegations of intensified Portuguese repression within the colony recently, this throws some needed light on the riddle of Mr Nehru's motives. But the lamentable fact remains: for whatever reason, India, of all countries, has chosen to defy international law and to flout the assumptions on which that law is based. The fact that the Portuguese asked for it, and that their attitude to the future of their colonial possessions, here as elsewhere, has been consistently shortsighted, is no answer. In practical terms, it was highly probable that the Portuguese grip on Goa would slacken before very long from natural causes; the seizure of Goa may therefore have been unnecessary anyhow, since patience's fruit—and patience has been supposed to be a special quality of the new free India—was ripening.

Unless President Sukarno takes the events in Goa as his cue to invade West Papua (*née* Dutch New Guinea) the practical consequences of the Goan adventure may not be, immediately, very serious. It is much to be hoped that India will keep her promises of mercy, and that the Goans may soon come to feel the difference between being ruled by a dictatorship and a democracy. Dr Salazar, unfortunately, is likely to be strengthened now, if only temporarily, by a rallying to the flag in Portugal. In spite of the accents of doom used by Mr Adlai Stevenson on Monday in pressing, unavailingly, for a Security Council condemnation, India is unlikely to suffer a permanent disaffection on the part of the West, if only because the main preoccupation of the United States is still to help the Indians to contain Chinese expansion. But India is likely to find that its special moral influence in the world at large has been severely damaged—a cost which Mr Nehru presumably counted when he sent his troops into action—and its confidence in itself may suffer. Mr Nehru has always advised Indonesia to be moderate over the question of West Papua. Now Indian actions, in what must seem a closely parallel case, will speak louder than Indian words. To judge by President Sukarno's latest pompous menaces, the point has been taken in Jakarta.

A colonial relic has gone. But, in getting rid of it, the Indians have violated a principle of importance: that it is wrong to resort to arms for the sake of territorial aggrandisement. Colonialism and anti-colonialism alike are the children of nationalism; if the anti-colonial cause is held to excuse deliberate aggressive war, a world order in which countries like India can flourish is likely never to arrive. *Denn wie man sich bettet, so liegt man.* All allowances made, it is a sad day for the friends of world peace, freedom and law who had grown used to India as a natural ally and Mr Nehru as their spokesman.

Syria on its Own

With familiar men in charge, the Syrians face the problem of avoiding their familiar mistakes

DIVORCED and glad of it, Syria is picking up the threads of the single life that was disrupted nearly four years ago by marriage to an unimaginative and demanding partner. Union with Egypt turned out a poor bargain and the end, when it came, was quick and neat; the alimony includes the grander name of the Syrian Arab Republic, a store of resentful memories, and an overdraft. Understandably, the urge is to wipe the lost years from the record. But most of the same men who were persuaded—by their grand illusions of Arab unity, by political opportunism, or by their fear of something worse—to seek partnership with Egypt are again back in charge. It will be easy enough for them not to take this wrong turning again; the greater difficulty will be to avoid retreating down paths that might lead Syria back into the political confusion from which, four years ago, the union with Egypt offered such a tempting escape.

So long as the soldiers who sprung the September revolution were still running the country through the men they appointed as ministers, the new Syrian regime was unhappily vulnerable to the ooze of denigration from Cairo. To demonstrate that they had not imposed the break with Egypt on a reluctant people, the soldiers whipped through general elections in double-quick time. The honest intention of these elections, held on December 1st, is not in doubt; nor is the brisk military efficiency with which they were run. But the stringent rules that kept canvassing to a minimum is one explanation why, out of 1,876 contestants, it was the familiar names that won most of the 172 seats. With only about a week to campaign in, and rationed to 65 lines of newsprint, new men must have found it hard to get fresh ideas and faces across to the public. So politicians whose records might in more sober times have told against them got a second chance.

On December 14th the new assembly elected Dr Nazim Kudsi as president for a five-year term. Dr Kudsi, the deputy leader of the right-of-centre People's party, is a professional who, in his time, has tackled most government offices, including prime minister and speaker of the house. His selection as president reflects the conservative bent of the assembly, but if the Syrians had really wanted, or dared, to put the clock back to 1957, there were other candidates who could have been better trusted to steer towards familiar, and deadening, ways. Moreover, Dr Kudsi's reputation as a man with brains and integrity overcame the congenital reluctance of Damascenes to choose a politician from Aleppo as their leader. In his inaugural speech, Dr Kudsi made his salaams to the concept of Arab unity, to the principles of the United Nations and to the overwhelming need for social and economic development. Possibly more pertinent to the Syrian experiment were his comments on the parliamentary system and how this had worked, or rather failed to work, in the old Syria. In effect, he looked towards a time when his country would adopt the spirit as well as the forms of democracy.

Once Dr Kuzbari, the prime minister of the caretaker government, was tucked away in the honourable but uninfluential post of speaker of the assembly, the only other important competitor for the presidency was Mr Khaled el Azm. Dr Kuzbari's election as president would have marked a swing to the far right, even, perhaps, to some kind of link with Hashemite Jordan; Mr Khaled el Azm campaigned from the left. His decision to withdraw his candidature in favour of Dr Kudsi suggests a parliamentary agreement under which

he may well be offered the job of prime minister, and possibly foreign minister too. A government with Dr Nazim Kudsi as president and Mr Khaled el Azm as prime minister could claim to be balanced. Since Mr Khaled el Azm is a strong-minded and energetic man it might also produce a more progressive policy than the gentle rocking to-and-fro of perfect balance. Although supported by the left wing, his own radicalism is tempered; a wealthy man, he has always favoured a free economy, with only mild supervision from the state; but with him in charge, Syria's foreign policy would probably tend towards leftward-leaning neutralism.

The new assembly has not yet crystallised into the pre-union political parties. But now, as then, there is a strong phalanx of moderate conservatives at the centre, and a mixed group on the left whose influence has always been more far-reaching than their numbers suggest. The choice of Dr Kuzbari as speaker was opposed by 47 members, who put up instead a former Baathist; this gives a very rough indication of the left-of-centre's numerical strength. On the other hand, the extreme right is now considerably stronger than it was—undoubtedly as a reaction against the years with Egypt; the Moslem Brotherhood, which was always passionately opposed to any association with President Nasser, has won seven seats. But with the right and left wings both having done well, the balance is preserved.

The relevance of the terms "right" and "left" can be roughly summarised. The extreme Right looks for a full return to the situation before union, and would, if it could, cancel all laws relating to land redistribution and nationalisation. The Left would complete the land reform programme and carry on with a limited amount of economic planning. The Centre would accept those socialisation measures that have already been put into practice, but probably no more. Already the interim government has removed the trading and foreign exchange controls that were imposed last February. On the whole, Syrians managed to dodge President Nasser's socialist brush. Some land has been cut up and distributed, and a number of banks and financial concerns have been taken over by the government. But the sweeping measures that President Nasser announced in July had time only to alarm the Syrians, not to be put into effect.

SYRIA's immediate problem is shortage of money, and one of the questions the new government will have to decide is whether to cut back development spending. The one major project that seems bound to go through is the vast dam on the Euphrates, for which the west Germans are contributing 500 million marks. The rain, coming opportunely after three sad years of drought, is a boon to next season's harvests, and with any luck Syria will be selling, not buying, wheat next year. Trading frontiers with Iraq and with Jordan have been joyously reopened, pleasing Syria's merchants as well as its politicians, who seize nimbly on any sign that suggests that the Syrian Arab Republic, rather than the United Arab Republic, is marking out the way for Arab unity. The importance to Syria of proving that it is a creator, not a destroyer, of unity is the background to the warm exchanges that have been going on between General Qasim and the Syrian ambassador in Baghdad. It must also look to President Nasser very much like a ganging-up of Arab leaders against himself and his own Arab aspirations.

But Syria's sternest problems do not concern its neighbours or the world beyond the Middle East. The overriding question is how, with much the same men in charge, the country is to dodge the self-destructive routine of interminable but meaningless change, goaded by constant military intervention. The army's role since the revolution has meticulously been that of watch-dog; presumably it will stay outside politics for only as long as it trusts the politicians—trust them, that is, as much as any soldier trusts any politician.

NOTES OF THE WEEK

BERLIN

That Summit Again?

DISTURBED Africa, disturbed Asia, and the fissures that December has revealed in western European equanimity towards the United Nations make a sinister back-cloth to Mr Macmillan's meeting with President Kennedy. But the greater and closer dangers lurk in the Berlin dispute, which gives only an illusion of quiescence and can probably be relied on to claim most of the attention at an Anglo-American meeting just now. The Nato talks last week showed the allies differing almost openly about the course to be taken; still, people of very different views now seem to accept that east-west negotiations about Berlin are on the way.

A prophet in an unexpected quarter, Herr Sindermann, who is a leading publicist and spokesman of the east German ruling party, was reported on December 15th to have forecast a negotiation in February. In Bonn Dr Adenauer, chatting to a group of Christian Democrats on Monday, remarked that he thought negotiations on Berlin were necessary. The Chancellor did not say that they should take place at once. The atmosphere must be "favourable" first. But the Berliners, in his view, could not be kept in suspense indefinitely.

Dr Adenauer's remarks provide a mildly encouraging gloss on the Nato meeting in Paris. He, at least, is not publicly setting up more barricades on the road to Moscow. But his relative benevolence provides no guarantee that the negotiations will get going quickly, or that they will succeed. As our Paris correspondent points out in an article on page 1222, the Paris talks ended ambivalently, with the French acquiescing (though with great scepticism) in a continued probe in Moscow but still refusing to negotiate a settlement now. Herr Sindermann combined his forecast of talks in February with a reminder that east Germany could tighten the screws on west Berlin whenever it chose. As if to rub the point home, an east German note, delivered in Washington on December 16th by the Czechs, demanded that American troop movements on the autobahn to Berlin should stop. This traffic, said the note, showed that west Berlin was tied to Nato; besides, it spoilt the road.

All this suggests that if a successful negotiation is to take place before the Berlin situation deteriorates further, the Americans and the Russians may have, once more, to get together on their own. Certainly the risk of getting bogged down would be great if the western governments moved at the

Berlin : quiescence illusory

pace of the slowest—France. But if France is not to take part in an east-west meeting of foreign ministers or perhaps heads of government, it would obviously be invidious for Britain to do so. The most helpful contribution Mr Macmillan can make to a Berlin settlement in his talks with Mr Kennedy may be to bow gracefully out and bless a new encounter between the two Ks.

DECIMAL COINAGE

Which Kind?

TUESDAY's statement on decimal coinage by Mr Lloyd was much less equivocal than some of the off-stage noises had led one to fear. The Government is setting up the inevitable committee of inquiry, as it could just as well have done eighteen months ago when it became clear that industry and the professions were heavily in favour of the change. But both the terms of reference and the imaginative appointment as chairman of Lord Halsbury—grandson of "Laws of England," and himself a scientist of great drive who for ten years headed the National Research Development Corporation—together give strong hope of a positive decision. Nor should it be too long delayed: the report is hoped for during 1962.

The Chancellor specifically said that Britain will go decimal unless the difficulties unexpectedly prove overwhelming. But before reaching a "final decision" he is asking the committee:

(*a*) To advise on the most convenient and practical form which a decimal currency might take, including the major and minor units to be adopted.

(*b*) To advise on the timing and phasing of the changeover best calculated to minimise the cost.

(*c*) To estimate the probable amount and incidence of [this] cost. . . .

The only existing estimate of the cost of change is that of £128 million for conversion and replacement of coinage and accounting machines made by the British Association and the Chambers of Commerce in their joint inquiry of 1960—but this was a very rough estimate indeed. Lord Halsbury, who has had close contacts with this industry, is well placed for a more searching investigation.

The big question now is what form and units of decimal coinage will be chosen. The emphasis that the Government has sensibly put on convenience and economy would seem to argue for the 10s./cent system, which has been adopted by South Africa and recommended both in Australia and New Zealand. This system would mean abandoning the pound, and a 20 per cent upvaluation of the penny—with little else changed. The penny would then remain as the smallest unit (whether called a penny or a cent), with ten pennies to a shilling and ten shillings to a new unit. (A Sterling? A Royal?) The alternative of retaining the pound would mean that the lowest unit would have to be twice as big (2.4d.) and presumably would compel fractions of cents or three places of decimals in a pound-mil system.

Wisely, the Government has not burdened the committee with any questions of prestige. Many people do feel strongly about giving up the pound, and the Treasury in its statement of May, 1960, saw "great force" in these objections. A cynic might retort that the prestige of Britain's currency has received blows enough from its performance on the exchange markets on the one hand and the ungainly designs of its coins and notes on the other. The decimal decision should be essentially a practical one, with sentiment properly weighed but not predominant. More important than what some foreign bankers are supposed to feel is what the English housewife and foreign buyers working out prices of British goods will be able to understand.

CONGO

Lull

KATANGA has its truce, though in different circumstances from those of December 13th, when the British Government appealed to the United Nations for an immediate cease-fire. The acting secretary-general, with support from Washington as well as from the Afro-Asians, insisted that there should be no cease-fire until the UN forces achieved their minimum objectives. On the night of December 14th the UN command launched a full-scale attack in Elisabethville. By Tuesday the town was surrounded and, it seems, Katangan military strength there had been reduced to a small number of bitter-end snipers.

Most of the Katangan "air force" had by then been destroyed on the ground. Buildings belonging to the Union Minière company had been bombed, on the ground that company workshops had supplied the Katanga forces, which had also used company buildings as cover from which to fire on UN troops. During the fighting the UN was accused of assorted atrocities; U Thant said that UN activities had been misrepresented and that he was amazed at the disregard for the normal standards of journalism by some newspapers. Certainly UN statements have won less attention for themselves in the British press than Katangan statements and reports. For this the UN itself is to blame: whether in the places where news is being made, or in the places where it is wanted, news from the UN side is hard to get.

Monday's news was that Mr Tshombe met Mr Gullion (the American ambassador in the Congo) at Ndola. The two men flew to Kitona, at the mouth of the Congo river, on Tuesday. Early on Thursday Mr Tshombe and Mr Adoula parted, reportedly in agreement. The UN must now be prepared to help build up the administration of whatever kind of Congo (including Katanga) has been agreed on. This is a heavy and necessary task, and the British Government should support the UN in carrying it out.

While the talks continue, Britain and Belgium should consider how they may help. They would help the Congolese considerably if they used their good offices with Union Minière. The company paid $26 million in taxes and dividends to the Katanga government in 1960, and may have paid twice as much in 1961. An appropriate share of the tax revenue should, of course, go to Leopoldville, which is also entitled to the earnings of the 18.4 per cent interest in Union Minière which the Congo government inherited from Belgium, but has never enjoyed. Arrangements to ensure this in an orderly way will be an essential part of any agreement to enable the Congo to be governed without recurrent civil war.

PARLIAMENT

Christmas Report Card

AS Parliament disperses for its Christmas holiday, neither Government nor Opposition has any good reason to feel satisfied with itself. A final spurt of seasonal ill-will has been ingested by the news that a guillotine procedure is to be applied to both the Immigration Bill, which is advancing through committee at the pace of an old and crippled snail, and the Army Bill, which was just starting to do the same thing. It is true that, these two measures apart, the Government's legislative programme is not going too badly. The Education, Transport, Fishing and Health Visitors Bills are all at the committee stage in the Commons. The Criminal Justice Bill is through the Lords and has just arrived in the Commons. The revived Road Traffic Bill, which had to be dropped because of shortage of time in the last Parliament, is about to have its report stage in the Lords, as are the Scottish Licensing and Local Government Bills. The Export Credit Bill is through both

Houses and is waiting for the royal assent, which it will presumably get just before Mr Lloyd announces new methods for some export credits just after the recess.

In major matters, however, the Government in these last few weeks has fumbled and bungled everything it turned its hands to. The impetus from the Tories' highly successful Brighton conference was dissipated as one blunder was succeeded by another—over immigration, Katanga, economic affairs. Individual ministers have, with one exception, done no better than the Government as a whole. The Prime Minister is down; Mr Butler is down; Mr Lloyd remains Mr Lloyd; Mr Macleod has failed to establish his position in the House. Only Mr Heath has gained notably in stature, and in confidence in addressing the House.

Mr Gaitskell remains the dominating figure in most day-to-day parliamentary exchanges, but he has little cause for self-congratulation. He will have even less if he so far misjudges the temper of the country as to make the post-Christmas period in Parliament a time of work-to-rule obstructiveness instead of reasoned debate, as he has threatened to do. Within his own party standing orders have been reimposed, and the shadows reshuffled but the ranks remain essentially as divided as ever. The common market has now become the Labour time bomb, which the Government is liable to set off before the session is over. The high point for the Opposition so far was not its cleverness over the mace or other theatricalities, but the fact that its initial reasoned opposition to the Immigration Bill helped to turn opinion in the country away from general support of this measure. This was also the best moment for the tiny parliamentary Liberal party, but it hopes for much better things after Christmas. Perhaps, even, before next summer, in order to discourage the Tories still further, a by-election success. . . .

ISRAEL

Eichmann and his Trial

WHAT now happens to Adolf Eichmann is not so important. What is important is the impact on everybody else of the chilling horrors that were unfolded at his trial. But now that Eichmann has been sentenced to death, and months must pass while his appeal goes up to the Israeli Supreme Court, and, if this fails, to President Ben Zvi, the grisly lessons that should have been thrust home during the four months of evidence should not be blunted by too officious concern about whether or not the Israelis will carry out the death penalty. Eichmann's defence that he was only an obedient sort of transport officer has been conclusively thrown out by the court; he has been proved guilty of a direct share of responsibility for the holocaust. Outsiders may sincerely believe that it would be in Israel's own interest to commute the death sentence; but it is a case in which sentimentality would be misplaced.

The purpose of the trial was not to punish a single individual for a crime for which there is no expiation. In bringing Eichmann to trial, the Israelis were trying to tear open the question of how, not twenty years ago, millions of men, women and children were murdered by the Third Reich in its deliberate policy of extermination. The flaw in the method of using one man, however responsible, and the whole paraphernalia of a court in order to probe into history is that the fate of the man looms too large. Also, there is the danger that others may now be even more inclined to shrug off responsibility. If this is so, the trial will have failed to drive home the lesson that the murder of European Jewry was caused not only by the bestial fanaticism of a few but also by the failure of the majority, and not only in Germany, to intervene.

The Israelis believed, probably correctly, that the drama of a trial would draw publicity that could be attracted no other way. The drama that has been staged does not free historians from their obligation of gathering the facts together, but it makes an impact that they cannot make. A less escapist society might not have needed to have its memory wrenched open; as it is, most people were quickly satiated with horror. But even a single day's reading, or listening, was salutary.

CHINA AND UN

The Vote on the Seat

WHEN only 36 of the UN Assembly's 104 members voted on December 15th in favour of transferring the Chinese seat to the Peking government, American relief was mixed with pleased surprise. Of the 49 Asian and African members, only 20 backed Peking's claims, along with the Soviet block, Jugoslavia, Cuba, Britain, Denmark, Finland and Sweden. Sixteen Afro-Asians, including Tanganyika, the UN's newest member, were among the 48 states that opposed the Soviet resolution demanding a transfer. Thirteen were among the 20 abstainers. The famous deal under which Mongolia and Mauretania had been admitted a few weeks ago paid off: eight ex-French African republics abstained in the China vote, and five voted against Peking.

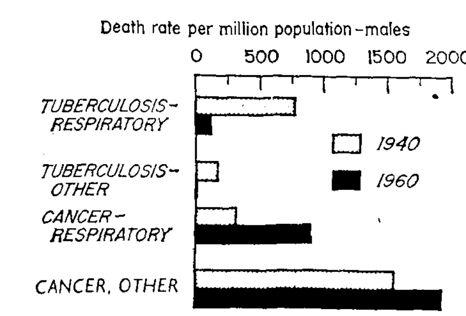
Peking's backers were thus well short of a simple majority, and America's pains in securing a decision that the seat could be transferred only by a two-thirds majority were needless—this year. Yet the procedural tussle proved illuminating. Apart from the Soviet group, only 11 states fought all the way against the resolution that would stipulate a two-thirds majority for the transfer. They were Jugoslavia, Cuba, Guinea, Mali, Burma, Cambodia, Ceylon, India, Indonesia, Iraq and the United Arab Republic. Once their bid had failed, others could manœuvre safely in what had in effect become dead ground. Britain, voting for Peking in the final ballot, explained that it did not want to see the Nationalists expelled. A virtually similar explanation was given by several states that voted against Peking. There are plenty more data from which Chinese psephologists can work out who was really trying to get the seat transferred this year—if anybody was.

One looks forward to their comments on the fate of the amendment tabled by Cambodia, Ceylon and Indonesia. This would have deleted Russia's offensively worded demand for the expulsion of the Nationalists, substituting a simple proposal that Peking's men should be seated. The 30 members who voted for it were Britain, the Scandinavians, Israel, and 24 Afro-Asians ranging from Guinea to Senegal and Nigeria, from Indonesia to Pakistan. The Russians abstained in this vote; was this because a moderately worded text might have swung more votes in Peking's favour, or because it seemed to open the door for the seating of both Chinas? The defeated amendment may yet prove a pointer to the shape of China debates to come.

LUNG CANCER

Are You Giving Cigarettes?

THE chief medical officer of the Ministry of Health has some forthright things to say about lung cancer in his annual report (Cmnd 1550. 13s.). In 1960, 22,000 people died from it (18,882 men and 3,118 women), and the chart shows how the relative importance of lung cancer and respiratory tuberculosis as causes of death in men has altered since 1940. In that year, before the



advent of chemotherapy, which has been so successful in reducing the mortality of tuberculosis, the disease's high death rate was regarded as a grave national problem. The lung cancer death rate is now higher than the tuberculosis rate twenty years ago. And the British public hardly bats an eyelid.

The only not actually discouraging figure given in the report is that deaths from lung cancer in men increased last year, compared with 1959, by a mere 700—the smallest percentage increase since 1950. On the other hand, the percentage increase in the deaths of women was higher than the average of the last twenty years. But the most striking facts to which the report draws attention come from the medical officer of health for Jersey. The island has the highest lung cancer death rate for men in the world and an exceptionally high rate for women. There is no problem of air pollution there. But the amount of tobacco smoked per head is the highest in the world; and in the years 1957-59 no case of lung cancer was recorded in a non-smoker.

No one claims that heavy smoking is the sole cause of lung cancer; air pollution is almost certainly another cause in Britain, as it is a cause of the high death rate from bronchitis. But no one, equally, after reading this report, can seriously maintain that smoking is not an important cause of cancer. It is strange that people who are so worried about fall-out that they will martyr themselves to ban the bomb will yet think nothing of offering their children cigarettes.

SUB JUDICE RULE

Can Parliament Prejudice?

In a Commons debate about air safety on November 23rd, Mr Strachey violently attacked a private air charter company for its handling of one particular incident; he cited a letter of complaint from one of the company's former customers in support of his case. The air charter company has since issued a writ against Mr Strachey's correspondent, claiming damages for defamation. When Mr Strachey tried to raise the question again in the House, the Speaker told him that it should now be considered *sub judice*; this has opened up a new controversy about what Parliament's procedure over *sub judice* matters should be.

To the ordinary man there would seem to be two sorts of *sub judice* cases; never mind for the moment to which category one regards Mr Strachey's as belonging. At one extreme few people would have any sympathy with a case where an MP had wrecked the commercial prospects of an outside person or firm by some ill-based defamatory statement, which he spouted out, under cover of parliamentary privilege, because some partial or unchecked information in his possession happened to fit in nicely with his personal political prejudices; many people would feel sympathy with any outsider who had issued a private complaint to an MP and then found that he was liable for a libel action because the MP had mishandled it; but that would not mean that the MP concerned should then be allowed to try to make amends by using Parliament as a forum for propagating the case for his source's side in the libel suit before it came to court. But, at the other extreme, nobody could feel happy if parliamentary discussion of a matter of general principle could be thwarted for nearly a year merely by some interested party issuing a libel writ.

One suspects that the latter danger is the bigger one. The British tradition about matters that are *sub judice* is unduly apprehensive. One doubts if judges and juries really would be greatly swayed (except possibly adversely) even by special parliamentary pleading before a case. But given that this British tradition exists, the best way for Parliament to handle such affairs would be by allowing discretion to the Speaker; he should be able to cut short any obvious special pleading that seemed to be very deliberately geared to a particular pending court case, but to allow all discussions of general principle to go forward. Unfortunately, wider discretion to the Chair seems to be something which the present House (witness the recent fuss over the mace) is disinclined to grant.

BULGARIA

Sofia in Line

Mr Vulko Chervenkov's dismissal, announced on Monday, from his post of deputy prime minister completes the fall from grace of the man who used to be known as Bulgaria's "little Stalin." His fall from power has been long and gradual. It began in April, 1956, when he lost the premiership during the reaction against Stalinism that followed the 20th Soviet party congress. He was, however, made a deputy prime minister, and remained in the politburo; in public he continued to be treated with great respect, and his influence behind the scenes is believed to have remained predominant.

Mr Khrushchev's renewed attacks on Stalin at the 22nd Soviet party congress in October landed Mr Chervenkov in fresh trouble, and on November 30th his expulsion from the politburo was announced. In a very lengthy report to the central committee, Mr Zhivkov, the party secretary, said it was necessary to overcome completely Mr Chervenkov's (pre-1956) personality cult, which "does not correspond either to his real capacities and qualities or his actual services to the party and people." Now the process is completed, and Mr Chervenkov has been dropped from the government altogether.

Whether this once outstanding figure of the Bulgarian Communist party has also lost all influence remains to be seen. According to Mr Zhivkov, some people, "strongly contaminated by the germs of the personality cult" still do not approve of the decisions of the 20th and 22nd Soviet party congresses. One suspects that those people may include Mr Zhivkov himself, and others of Bulgaria's present leaders. Their record over the past five years has not been particularly liberal; on the contrary they have been inclined to get rid of those with more liberal leanings than themselves.

Now, however, they have evidently found it necessary to identify themselves, in public at least, with Mr Khrushchev's renewed attacks on Stalin and on Albania (and the Chinese). They are in any case on bad terms with the Albanians (who, as Mr Zhivkov solemnly told his central committee, have sacrilegiously relegated a bust of Mr Georgi Dimitrov, the former Bulgarian communist leader, to the vegetable garden of a co-operative farm). They used to admire, and even—in the unsuccessful "great leap forward" policy three years ago—try to emulate Chinese methods. But Mr Zhivkov has now firmly told the Chinese to think again about their support for Albania. Mr Chervenkov's past (even, perhaps, present) admiration for the Chinese may have contributed to his downfall.

ADVERTISING

Against Misleading?

Last week the Commons debated a Labour backbencher's motion which "noted the increasing power of the advertising industry" and called for an independent inquiry into it. Parts of the motion, and some of the speeches in favour of it, were really rather odd. In the first place, three official inquiries into advertising are proceeding at the moment—the Molony committee on consumer protection, the Pilkington committee on the future of television, and the royal commission on the press—and that is surely enough for the time being. Secondly, the £453 million estimated to have been spent on advertising in 1960 represented 2.2 per cent of national income, compared with 2 per cent of national income in 1938. This is not an exorbitant increase; in fact, if Britain is to have a thrusting and competitive economy, it could even be argued that it is too small. Speaking of the "threat" of big advertisers—in particular to the quality press—the mover of the motion declared:

> A big advertiser could say to a newspaper proprietor "Our order will go elsewhere next week if your policy on this, or that, is not toned down or changed." Is anyone going to say that this is not a probability in Britain in 1961?

Yes, we are; at any rate it does not happen to this particular quality newspaper. But if one is genuinely frightened of this happening, stringent action to restrict the growth of advertising would not remove the threat; it would increase it, by giving intellectually dishonest newspapers an incentive to offer such inducements to try to get the diminished advertising space on offer.

The real issue of principle for democrats is surely that nobody should try to dero-

Appointments, Business and Personal notices and other Classified Advertisements page 1258

gate from freedom of speech—not even from the lowest form of it, which advertising often tends to be. Equally, however, there is every case for really free speech against advertisements: the criticism to which advertised products are submitted in *Which?* and *Shoppers Guide* is most heartily to be welcomed, and it will be a very good thing if animated versions of the same sort of criticisms appear on television soon.

COMMUNIST BLOCK

Planning Pains

WHEN the Council for Mutual Economic Aid (Comecon) met in Warsaw from December 12th to 15th, the further elaboration of a code of "socialist division of labour" was on the agenda. The theory is that this code should introduce more specialisation among the communist countries now preparing their long-term plans (to fit with the Soviet plan for 1960-80). The council also took some immediate decisions about co-operation in the production of chemical fertilisers, standardisation in shipbuilding, and the preparation of a common electrical grid.

Comecon is now in its thirteenth year, but for a long time it limited its activities to integrating foreign trade and did little to integrate the economies of the block. Only in the last five years or so has it made serious progress with common projects, such as the east European oil pipeline. Now that the effort is being made to get a real division of labour among the communist countries, many are showing signs of finding it hard to overcome their lively desire to retain their economic independence.

The Warsaw session reflected the present strains and stresses in the communist world. In principle, all the European members of the Soviet block are members of Comecon, but on this occasion no Albanian delegates turned up. Contrary to some expectations, however, the Albanians were not formally expelled from the organisation; the final communiqué merely ignored them. The Asian communist states, while not members, are usually represented by observers; representatives of Vietnam, Korea and Outer Mongolia attended the Warsaw meeting, but the Chinese were conspicuously absent. Closer economic integration under Soviet leadership naturally strengthens Mr Khrushchev's hand against communist heretics. But it has another consequence as well. It gradually destroys the hope, once vivid, of a Soviet disengagement from central and eastern Europe. It adds economic reasons to the political and military ones for the division of Germany.

SOUTH AFRICA

Spear

THE day after Mr Albert Luthuli arrived home in Durban from Oslo, his Nobel peace prize in his pocket, six small explosions were set off in Johannesburg and Pretoria. Mr Luthuli is a genuine apostle of non-violence, but the sabotage that coincided with his return may also have marked a turning away from passive resistance in South Africa and a turning towards violent rebellion. This is not the only curiously symbolic aspect of last Saturday's bombs.

The Economist

DECEMBER 21, 1861

THE COURT AND THE PEOPLE

So much has ere this been said upon the life and character of Prince Albert, that scarcely anything now remains except to join very simply and plainly in the regret and sympathy which have been everywhere expressed by all classes of the nation, the low as well as the high. . . . *One Monarch dies, and another succeeds him.* A new Court, a new family, new hopes and new interests spring up and supersede those which have passed away. What was is forgotten; what is is seen. But now we have the old Court without one of its mainstays and principal supports. The Royal *Family of last week is still (and without change)* the Royal Family of to-day; but the *father* of that family is removed. For such a loss there is not in this world any adequate resource or any complete compensation. In no rank of life can any one else be to a widow and children what the deceased husband and father would have been. In the Court as in the cottage, such loss must not only be grief now, but perplexity, trouble, and perhaps mistake hereafter. The present generation, at least the younger part of it, have lost the idea that the Court is a serious matter. Everything for twenty years has seemed to go so easily and so well, that it has seemed to go of itself. There is no such thing in this world. Everything requires anxiety, and reflection, and patience. And the function of the Court, though we easily forget *it when it is well performed*, keeps itself much in our remembrance when it is ill performed. Old observers say that some of the half-revolutionary discontent in the times preceding the Reform Bill was attributable to the selfish apathy and decrepit profligacy of George the Fourth. The Crown is of singular importance in a divided and contentious free state, because it is the *sole* object of attachment which is elevated above every contention and division. But to maintain that importance, it must create attachment. We know that the Crown now does so fully; but we do not adequately bear in mind how much rectitude of intention, how much judgment in conduct, how much power of doing right, how much power of doing nothing, are requisite to excite the loyalty and to retain the confidence of a free people.

The day they were set off was the "Day of the Covenant"—Dingaan's Day to most South Africans. It commemorates the defeat of the Zulus at the battle of Blood River in 1838; Afrikaners regard December 16th as an annual affirmation of their mastery over the black men around them. An African organisation calling itself, in Zulu, "Spear of the Nation" distributed leaflets before the explosions; these called for violence against government property, the "symbols of apartheid." The targets on Dingaan's Day were a post office, an African pass office, a municipal office, Native Administration offices, and an electrical substation.

The bombing was amateurish; South Africans, it seems, can confidently look forward to celebrating Dingaan's Day once again next year. But the year after that?

IMPORT RESTRICTIONS

Butter and Beer

AS its Christmas contribution to reducing the cost of living, a deserted Commons spent the hour between 10 and 11 p.m. on Thursday of last week in unanimously legalising the steps that the Government had already taken deliberately to keep up the prices of butter and beer. The Irish have recently been selling butter in Britain at about 260s. a cwt, which has annoyed New Zealand very much. Britain had asked its suppliers to exercise "voluntary restraint" (i.e. to accept quotas, and please increase their charges to us); when the Irish refused to accept a quota of 4,000 cwt (less than half what they sent here in the first part of this year), the Government clapped an anti-dumping duty of 205s. a cwt on their heads. The measures, said Sir Keith Joseph for the Board of Trade, have already been jolly successful because "the price of butter has hardened in the last few weeks from about 260s. a cwt to about 285s. a cwt."

From butter the House turned to the Hops (Import Regulation) Order, which aims to keep most foreign hops out of this country except certain sorts needed for making lager beer. The system of utter restrictionism in this industry goes back to 1934; there are even individual quotas attached to each British hop farm, which are bought and sold with the farm itself. The Restrictive Practices Court seemed likely to declare this system against the public interest. "Hence," said Sir Keith Joseph, "this order," to allow the restrictive system to go on just the same. Sir Keith explained that hops are an export industry, especially

> to the Republic of Ireland—a point which is of particular interest tonight. We should like to see more exports. . . .

The House then proceeded to approve this order to increase international trade in hops by continuing to bar most inward international trade in hops altogether. How can MPs turn from this sort of debate to a debate about countering inflation—and still keep a straight face?

Twenty-five Years After

On December 11, 1936, King Edward VIII abdicated, and during this month the twenty-fifth anniversary of that doleful event has been marked with a drone of commemorative articles, books and broadcasts. We feel that we can make our own modest contribution best by reproducing the following article, from the pen of a simple citizen, which appeared in "The Economist" of December 26, 1936.

I Am Splendid

(By Mr Smith)

IN the crisis through which we have just passed the nation, by universal consent, behaved magnificently. Parliament behaved magnificently. The Press behaved magnificently. The Stock Exchange behaved magnificently. Lloyd's Register of Shipping behaved magnificently. The licensed victuallers behaved magnificently. Sir John Reith behaved magnificently. Above all, the common people behaved magnificently. And it is as the embodiment and representative of the common people that I write this article.

We English are notoriously unemotional and have but little use for self-admiration. We tend rather to depreciate our merits than to display them in the shop window. That fact is, of course, recognised everywhere both at home and abroad. When we happen to have something specially fine to our credit we invariably pass on without asking for praise, like the hero who first rescues a dog from the Thames and then hurries away to escape the onrushing reporters. But sometimes we don't get away in time; and then the weight of evidence, proving how splendid we are, is too much for us and reluctantly we have to give judgment in our own favour.

That is what has happened in the last few weeks. Wherever I have gone as representative of the common people I have been told that I was wonderful. Archbishops, bishops, city editors and leader writers have all refused to leave me unadvised of my almost unimaginable greatness. If any one of these important folk had told me about it, I should have been impressed. But when they all combine to tell me, the effect is overwhelming.

Let us start with the Bishop of St Albans—not one of my warmest admirers, but a pleasant *hors d'œuvre* to the richer fare that follows. He says:

> During these last terrible days, however accustomed we had grown to all sorts of things, yet the heart of the nation rang true.

That's not bad, but a bit vague; and I like the Foreign Secretary much better. He says of me:

> The most remarkable feature of the crisis has been the steadfastness and forbearance of the great British public. They have again displayed those qualities of coolness, dignity, wisdom and restraint which have characterised them at critical moments in the Empire's history. They have given expression to that innate political instinct which is, perhaps, their greatest gift.

That restrained appreciation of Mr Eden's rings (as the Bishop of St Albans said about my heart) true. Now for the Archbishop of Canterbury. He cannot, I fear, approve of all the topical jokes, limericks and riddles with which we common people solaced ourselves during and after the crisis. Notwithstanding them, however, he says this about me:

> Some strong tide of instinct rather than of reasoned thought, flowing deep beneath the surface eddies of excitement, had borne the people through the rapids of the crisis. It is right to be proud of the way in which the nation has stood the test; yet let there be no boasting in our pride.

I do think that is lovely. Whatever some may say of the Archbishop's sermon I take off my hat to him, as the first person to detect both the eddies on the surface and the tide of instinct flowing deep within me. And, of course, I shall be very careful not to boast about it. Now I come to *The Times* leading articles, which are, I think, the best of all. They say:

> The nation has treated a great issue worthily; its thought moving steadily and soberly, with reluctance but without sentimentality, with searching of heart but without tumult, towards a firm conviction.

And again:

> The British people, facing its ordeal under an unprecedented glare of foreign publicity, has earned the wonder and admiration of the world. A sudden emergency has enabled the British people to prove its native greatness.

So, you see, it isn't only in England that I am admired and well spoken of. It's all over the world. In Reykjavik and Chicago, in Milan and Lourenço Marques, on the Potomac and on the Yangtse—everywhere men are turning to each other and exclaiming: "How wonderful is Mr Smith, and how admirable!"

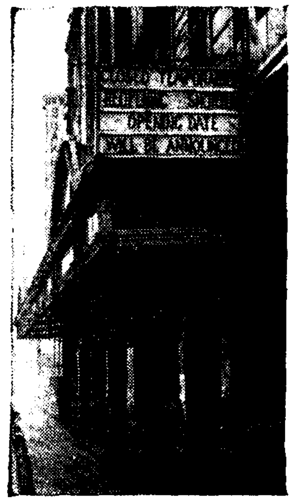
TO be quite frank, there is, in spite of all the praise, just a shade of bewilderment in the modest splendour of my mind. I recognise the fact that I have behaved magnificently, but I can't, at the moment, see just what the alternative to my magnificent behaviour would have been. Suppose that my heart had not rung true. Suppose that I had not been steadfast, forbearing, cool, dignified, wise, restrained and full of political instinct. Suppose that the deep tide had not flowed beneath the surface eddies. Suppose that I had not moved steadily and soberly, with reluctance and searching of heart, but without sentimentality and tumult. Suppose that in a sudden emergency I had not proved again my native greatness. Suppose, in short, that I had not been just the wonderful person that I have been. Exactly how would the deficiency have revealed itself? Of all the things that I did, what would I have omitted? Of all I left undone, what would I have done?

After all, I did not decide on the Abdication, and I could not have stopped it. I might, of course, have sent the wrong sort of letter to the papers. But if I had, they would not have printed it. I might, I am told, have formed a "King's Party." But if you were here and now to order me to form a "King's Party," I simply should not know how to set about it. One useful hint, indeed, is given me by *The Times,* which points out that I could have broken windows by throwing stones. That is very true, but the stone-throwing would have been followed by a night spent in a police cell, which would have been uncomfortable. And apart from that, a deep instinct whispers to me that merely to refrain from throwing stones is not in itself native greatness. It is undoubtedly puzzling. And sometimes, when I am slightly off colour, I become really worried, trying to make out what a man less wise, less cool, less amazing, less wonderful, less restrained and less dignified, moving less soberly to less firm convictions, less full of deep instincts and running more to surface eddies—what would such a man have done that I did not do myself?

Of course, if this were a foreign country the solution would be simple. I should say at once that the talk about my being so fine was all make-believe and eyewash, which are much in use abroad. But that theory will not work here—not with the Archbishop and the Foreign Secretary in it together. Those names in themselves are a guarantee against gammon. I am driven by weight of authority, both temporal and spiritual, to the only possible conclusion—that for some reason, which I don't quite grasp myself, I *am* splendid.

HOME REPORT

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



Angel on the Mersey

FROM OUR SPECIAL CORRESPONDENT

OPENED with a gracious whirl in 1888, the Shakespeare Theatre in Liverpool has fairly shared the history of show business throughout the country. In the nineteen-twenties it abandoned plays to become a palace of varieties: in 1956 television finally put an end to this tatty half-existence. At a public inquiry last week its latest owner, a Merseyside shopkeeper, sought leave to inflict the final indignity by transforming the auditorium into a fashion warehouse. He was faced by a horde of objectors—some of them, no doubt, the cast-iron conservatives who can be relied on to oppose any change, especially if it seems to be dictated by economics, and others being legitimately interested parties such as Actors' Equity. But the highlight of the inquiry—not the dénouement, since the inspector still has to give his verdict—was worthy of the full theatrical treatment.

There suddenly appeared a fairy godmother with a wand of solid gold, able and willing to save the theatre from the glum fate of Cinderella's early years. Self-cast in this part was Mr Peter Moores, a scion of Liverpool's newest dynasty of millionaires (football pools, mail order, chain stores and manufacturing), who proposed to buy and endow the theatre.

There is solid precedent for daring innovation—artistic, if not commercial—at the Shakespeare. In 1956, on its first death, it was bought by a syndicate of local businessmen. Its original 3,000 seats were ripped out, to be replaced by 800 far more luxurious ones in a remodelled auditorium. (In all, £60,000 is said to have been spent on improvements.) The face of the whole building was lifted: it was called a club, but open to the public: and for ten months it was known as the Pigalle. Despite its name, it presented thoroughly respectable plays—and possibly for this reason it closed after 10 months having made a loss of £40,000.

Then came the great moment. With a rich, and feminine, American backer, the theatre was taken over and put in the charge of Mr Sam Wanamaker, author, actor, producer and artistic notable. There was the theatre, a good restaurant, sometimes opera, ballet or jazz concerts: there was a small but worth-while art gallery downstairs; and it was a club (partly so that Mr Wanamaker could defy the Lord Chamberlain's stultifying rules and present some controversial plays). As a prestige venture, it was a smash hit. But the losses, even on the restaurant, were described as catastrophic. The receiver in bankruptcy made some pretty strong remarks about the "personal differences" between those concerned. After fifteen months the place closed, owing £105,000: of this, £85,000 was owed to the lady backer, who continued to own the building.

There have been plenty of attempts to buy it—from a local cinema owner, from members of the syndicate who ran it as the Pigalle, from a repertory theatre owner from Huddersfield. Even more weighty was an offer from the local trades council (which wanted to use it for theatrical purposes and had ample support from a brewer). Mr Bernard Miles tried to get in touch with the owner, but gave up after several letters remained unanswered. Mr Miles believes, originally but convincingly, that "commercialism" in the theatre means the satisfaction of the public's thirst for "magical names like Bertolt Brecht," and has proved his theory by making a commercial as well as an artistic success of his Mermaid Theatre in the City of London. Preservationists and prospective buyers came to agree that the owner was reluctant to give theatre people a chance to succeed where she had failed.

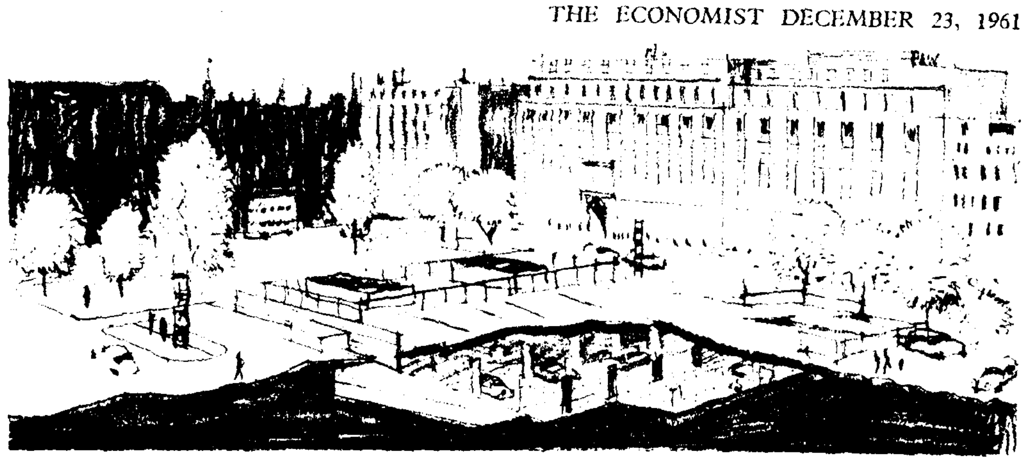
So it came to the sale as a warehouse, to the planning inquiry and to Mr Moores's dramatic offer — which is perhaps not yet formally an offer, since he is reluctant to mention a sum until he has seen the inside of the building (it appears, for example, that the seats have been sold for what they would fetch). His plans for the future, too, are not precise. He has spoken of providing a home for productions from the brighter theatres (such as the Mermaid) elsewhere in the country: and Mr Miles says there is a real need for an export market for his shows. But Mr Moores has a passion for opera. Ultimately, he might wish to transform the Shakespeare into a municipal (or even Lancastrian) opera-house, with a resident company that could from time to time go on tour, leaving the stage free for itinerant theatrical, ballet or opera companies from elsewhere. This course would remove at one stroke the most cogent objection to the preservation of the Shakespeare as a conventional theatre—that there are already three other theatres in the city, for a total population of 1.4 million in the Merseyside conurbation.

SINCE one of these theatres is already partly supported by the Liverpool municipality, and since another might conceivably find itself asking for some capital assistance from the Arts Council in the next few years, official subventions for a fourth house might be hard to come by. But the initial capital cost would not be vast: £17,000 has been reported as the price paid by the present owners, and an architect at the inquiry mentioned the figure of £13,000 as the cost of restoration.

The best hope for its continuing financial security—and the one that could present Liverpool as an example to the rest of the country—lies with the city itself. The corporation gives £42,000 a year to the splendid Royal Liverpool Philharmonic Society: even more impressively, a recent appeal on behalf of the Walker Art Gallery (the product of local generosity in the last century) raised over £60,000 in sums promised on covenant over the next seven years, for the purchase of pictures. Launched by a Moores, backed by the business community and established in the region of England that claims to appreciate music best, an opera house (not a Glyndebourne, for Mr Moores is too hard-headed to have visions of such metropolitan airs and graces in the canny north) should surely stand a fair chance of success. At least, plenty of people in Lancashire are hoping that the inspector will not miss the right cue for a happy ending.

Saturated London?

FROM OUR SPECIAL CORRESPONDENT



THE avowed purpose of the Minister of Transport's frequent traffic experiments in London is to keep parked cars off the streets, and the rest moving as smoothly as possible. Some car-owners, who have given up the struggle, say this purpose is being achieved. But London Transport has produced figures which make the claim at least doubtful: there has been a seven per cent increase in commuter traffic in London over the past year, during which parking meters have come into force in several new areas (thereby reducing, in fact, the available parking space), some previously metered areas (in St James's) have been suspended, and only 2,400 more off-street spaces have been provided for the extra 4,000 motor cars which come into the central area in the rush hours. The total rush-hour influx is 64,000 vehicles, which jostle for places along the streets and among the 18,500 off-street parking spaces.

This week Mr Marples opened a new underground parking garage (put up by a commercial firm) at Finsbury Square in the City, where 350 cars may be left at 1s. 6d. a hour, 10s. a day or £2 10s. a week; and he had some sensibly pointed things to say about the commuter's willingness to pay high rents for office space and unwillingness to pay any rent for car space. This £300,000 Finsbury venture, however, is a long way from being a Christmas present to motorists: it will barely make up for the spaces lost by the installation of meters in the City.

If the present rate of increase is maintained, commuter traffic into London will have doubled by 1980 (that is, there will be another 64,000 cars in the rush hours alone); if all goes well, there should be another 25,000 or so off-street parking spaces by then. Saturation looks like becoming an increasingly meaningless term.

LONDON, of course, though a special case, is not alone in its problems; nor is it alone in being without any coherent idea about solving them. The British Road Federation has recently published the results of a questionnaire sent to 419 local authorities (of whom 80 per cent replied). The mess uncovered is disturbing: 40 per cent could not say what parking needs they had, had never studied the problem and did not know what its growth was likely to be. Only 25 per cent had ever done a parking survey. Most large boroughs were poorly provided: one-eighth of towns with populations of 100,000 had fewer than 500 designated parking spaces, and one-third of those with populations of 50,000 to 100,000 were as badly off. Five metropolitan boroughs had no off-street parking at all, and three more had less than 200 off-street spaces. Some £3 million a year is spent by all local authorities on providing parking places—enough to cater for only a small fraction of the 12 million cars expected on the roads by 1970.

Cardialgia

*Sir Berkeley and Lady Topdog are not sending greetings cards this year. They wish all their friends a happy Christmas and New Year.—The T*m*s, any time between December 1st and 24th.*

THE last of the Topdogs accepts a giant parcel with misgiving, signs for it reluctantly, and is parted from a half-crown (for the postman's Christmas box) by violence. "Why, dammit, Toby," he shouts to his wife, "it's another of those confounded cards. Pound and a quarter. From the hire-purchase people. Medici print of *The Laughing Cavalier*."

"We'll have to send them one," mourns Lady Topdog.

"Shan't. Owe them enough without sending tomfool cards."

"It will look so odd."

"Don't care. Tell you what, we'll put a thing in the paper saying we're not sending. Save a packet. Not send to anyone. Everyone's doing it."

This idea, indeed, becomes more popular: personal columns are heavy with disclaimers by Top People, and many a firm (*The Economist* among them) has made it clear that they feel the thing has gone too far, and will therefore contribute to charity rather than put any extra business in the way of printers this year. Dark rumours have been heard about "a swing away from the Christmas card."

But the manufacturers of greetings cards (of whom there are more than a hundred in Britain) laugh jovially, rub their hands and are comforted by the thunder of their overworked presses, as they have done since 1848; and the idea of a revulsion from the card reduces them to happy incoherence. The first disclaimer was, after all, published in 1873, and they have carried on regardless ever since. Indeed, most of them think they have hardly scratched the surface of the market.

The business, as one of them says, is too vast to keep an exact count of sales. But conservative analyses of postal returns leads them to forecast that, from the main manufacturers alone (never mind the host of charity and private printings), sales will be better than ever this December; and retailers confirm that there has been no slackening in the tide of card-hunters. In 1956, 516 million cards were posted: the number has risen steadily since then, to 602 million last year. This year's total will most certainly better the estimate of 612 million given by Raphael Tuck, the largest makers in the kingdom, with about half the total production.

There is, however, a feeling that a few people (whose lists of friends are longer than their purses) are cutting down. To the makers, they hardly matter: it is to the press of the commonalty at the card counters that selling is directed. But there has been a distinct change of tone: the vogue for "sick" and whimsical cards has passed its peak, and the most popular designs from the bigger firms are religious. Most of those sold through Her Majesty's Stationery Office, too, are reproductions of old master paintings on the Christian theme.

Poor Sir Berkeley's scrooging gesture, therefore, will not make much impression on the trade—if that is his intention. And it may not do him all that financial good, either: three lines in the personal column costs 55s. 6d., and even in these days you can send a good few cards for that.

Hooked. The location of the projected but now abandoned Hook new town was given erroneously in the map on page 1117 of last week's issue. The Surrey Hook exists; but it was the Hampshire Hook that the LCC had its eye on.

LETTERS

Commonwealth Service

SIR—The views of Sir John Rankine (December 16th) on the folly of the reluctance of the Commonwealth Relations Office to recruit men from the Colonial Service are shared by every colonial governor whom I have met.

It is not disputed that the Commonwealth Relations Office has had to expand so rapidly since the war that there is a serious shortage of talent at the higher levels. This is quite apparent from the report of the Select Committee on Estimates on the Commonwealth Relations Office, which was presented to the Commons on July 15, 1959. Evidence to this effect was given to the committee by Sir Gilbert Laithwaite, at that time the permanent under-secretary of state at the CRO.

We can only guess the reasons why the CRO has not accepted the advice of the select committee to "strengthen itself by filling its vacancies in the new Commonwealth countries as far as possible from Colonial Service officers." Since most of these countries have retained a number of Colonial Service officers in their own service, it is inconceivable that they would resent such men being employed in our diplomatic missions, provided that they had not previously served in the same country under the colonial regime.

In my view, the time has come for the CRO to be transferred from the Home Civil Service to the Overseas Service, since it will shortly be responsible for something like one-fifth of our overseas diplomatic representation.

The Foreign Service, the remnants of the Colonial Service and the Commonwealth Relations Service should then be amalgamated. In this way, a proportion of Colonial Service officers could be transferred to the Foreign Office and the Commonwealth Relations Office diplomatic missions, particularly in Africa, where their knowledge would be invaluable, without the absurd requirement that experienced men, who have served Her Majesty faithfully overseas, should have to sit for a competitive examination.—Yours faithfully,

House of Commons HUMPHRY BERKELEY

Rent Act

SIR—The note on page 1013 of *The Economist* about London's homeless implies that the Rent Act has increased the amount of accommodation to rent. The investigations of which I know have indicated the opposite—that the Rent Act has reduced the amount of rented property. In particular "Cmnd 1246: Rent Act 1957: Report of an inquiry" does not care to admit this too openly, as one of the arguments advanced for the Rent Act was the claim that more property would be available to rent. But on page 18 it quotes the following figures:

	1954	1956	1958
	%	%	%
Proportion of all non-council accommodation units which were found to be owner occupied	43	45	51

On the same page it says: "It is easy to show that the rate of increase in owner occupation among non-council accommodation units . . . has been greater than the rate of completion of new non-council houses in recent years. Thus, although it is probably true that most of the new non-council houses have been sold immediately to owner occupiers, it is clear that there has also been a steady change-over to owner occupancy among the older accommodation units."

There were good arguments for the Rent Act but increasing rented accommodation was not one of them. In fact it was fairly easy to predict that some landlords would sell their property immediately they had power to evict their tenants and that very little new property to rent would be built.—Yours faithfully, K. R. HUTCHINGS

Queen's College, Dundee

[The figures to which Cmnd 1246 referred were in fact for a period before the special medium-term leases allowed to sitting tenants of decontrolled property under the Rent Act ran out, so they could not have included property sold by landlords after they had actually evicted tenants under it. They did include some houses purchased by their existing sitting tenants, or after voluntary removals. Nobody doubts that a trend towards greater owner-occupation of houses goes on; but the idea that greater freedom for landlords to charge more remunerative rents reduces the amount of accommodation made newly available on the market (either for buying or rent) really cannot stand up. And it is only by reducing total new offerings on the market that the Rent Act—or any other legislation—could increase net homelessness.]

Vietnam

SIR—The few who have ever heard of the so-called British Vietnamese Committee and known its political leaning (a kind of liaison committee with north Vietnamese communist organisations) would question the necessity of a reply to the letter of Mrs H. Vernon in *The Economist* of December 9th.

But the majority of your readers would require at least some further comment. If the communists are really feeling so brotherly towards our people in the south why don't they stop murdering our citizens and waging war against the republic? And if they really feel so humanitarian, why should they not have accepted the south's offer recently this summer to help our people now suffering from famine, among other distresses, in the north?

In view of all this, we cannot accept their cynical gesture of help to the Mekong flood victims, who are receiving generous help from other quarters, not least from this country.—Yours faithfully,

London, W8 NGUYEN DUC QUY, Embassy of Vietnam

BOOKS

Dialogue of Collaboration

The Correspondence between Richard Strauss and Hugo von Hofmannsthal.

Introduction by Edward Sackville-West.

Collins. 578 pages. 63s.

For the best part of twenty-five years, Richard Strauss and von Hofmannsthal were mixed together in operatic creation, matching music to words with the kind of genius that Mozart and da Ponti, and Verdi and Boito, had shown. During this time, the two were in constant and often agonised correspondence, with surprisingly little personal contact, which might have spared some of the agony. Most of Hofmannsthal's letters to Strauss have been preserved, but unfortunately fewer the other way. To read them, in this living translation, is to eavesdrop on the poet and musician as each wrestles with his own, and sometimes the other's, problems. It is an aesthetic dialogue, but a most human and appealing one; and, being conducted by two artists of decidedly different temperament, it has at times an almost dramatic intensity as well as artistic practicality.

Mr Sackville-West observes, in his spare, sensitive preface, that in general "the librettist must be a decent poet, but had better not be too good a one, for his task is an exercise in humility and first-class poets are not usually remarkable for that virtue." There is nothing humble about Hofmannsthal's presentation of his own poetic ideas—and these, by the accident of fate, outweigh Strauss's counter arguments. Hofmannsthal's literary fastidiousness, indeed, is his constant theme; it leads him to assume a kind of aesthetic responsibility for keeping Strauss within the narrow limits of taste that he sets himself. Taste, indeed, was not always Strauss's strongest point; but neither was Hofmannsthal always heavenly and it must occasionally have taken rare patience and mutual respect on both sides to keep their creative workshop on the move.

Strauss's enthusiasm for the first scene of *Der Rosenkavalier*—"It'll set itself to music like oil and melted butter. . . . You're da Ponti and Scribe rolled into one"—brings a courteous but distinct reproof in which Hofmannsthal expounds his function as librettist: "To carve distinct characters out of a steadily moving action is no child's play. It seems to me that Scribe as well as da Ponti worked perhaps within a somewhat simpler convention." And, for good measure, he adds a postscript to take up the musician on his own ground: "Not all passages, of course, will be as 'good' to set to music as this first, purely lyrical one. There are bound to be sticky patches, too, but none I hope where I have not explored with much thought the possibilities of musical interpretation . . . and the 'good' passages will, I believe, outnumber the others. Do try and think of an old-fashioned waltz, sweet and yet saucy, which must pervade the whole of the last act." And a few days later (the two seem always to be writing by return of post) Strauss receives the whole of the first act with delight: "So delicate, maybe a little too delicate for the general mob, but that doesn't matter." To which Hofmannsthal, after a precise bow of acknowledgment of Strauss's praise, is soon launched on a didactic exegis about the nature of the plot and the presentation of the opera. It is eternally to Strauss's credit that he accepted, in the end and not always without argument, Hofmannsthal's superior ideas about the theatre.

Anyone who loves *Rosenkavalier* will find new meanings in such exchanges. Hofmannsthal had some traces of the bore and even of the prig in his make-up. "I must confess I was somewhat piqued by your scant and cool reception of the finished manuscript of *Ariadne*," he writes in July, 1911, starting a long battle about a work that he loved above all other, whose significance he sought over and over again to make clear to Strauss's inadequate comprehension. His insistence on his own perfectionism leads him into tedious lecturing: "Everything in you is progress and development. But here it is a question of style. . . ." But Strauss could hit back, too, even on *Ariadne*: "To be quite frank, I have so far not found it to my liking at all . . . this new version will always look to me like a torso." And after prolonged argument, Strauss comes back with suggestions for subjects that have no appeal to his librettist—an entirely modern domestic comedy or "some amusing piece of love and intrigue" set at the Congress of Vienna, or even a war profiteer. Strauss was continually beseeching Hofmannsthal to "put his Pegasus in tight harness for once," but only so that he could realise an ambition to become "the Offenbach of the 20th century." Hofmannsthal, trying to purge Strauss of more than a touch of Wagneritis, pleaded for "music for ordinary ears and ordinary throats." Neither got anything like the whole of what he wanted. The miracle of their harmonies and discords must be measured by the operas themselves, not by what they were saying about them. This revelation of a poet so certain of his aims and so unsure of himself, at work with a composer of almost opposite temperament is itself a supplementary work of art as well as a study of method.

Spiritually Evicted

The Monastery of Jade Mountain

By Peter Goullart.

Murray. 189 pages. 21s.

It has been Mr Goullart's lot to suffer physical and spiritual eviction under two revolutions. The Bolsheviks drove him, as a boy, from the gloomy splendour of baronial life in southern Russia to the slums of Shanghai. The Chinese Communists drove him, as a middle-aged Taoist, from his Shangri-la haven on the Tibetan border to the International Labour Office of the United Nations.

He has endured tribulation and escape, misery and happiness, with equal composure, mysticism and gratitude. Clearly his acceptance of Taoism (which does not deal in conversions) in the serene Monastery of Jade Mountain more than recompensed him for the ordeal which he and his mother shared in their flight from Russia and in her daemonic death in Shanghai. Just as clearly he finds the challenges and opportunities of his current post a tedious ordeal after his meditations among "the snow-capped mountains, the sea of fragrant forests . . . and the golden-coloured people" of Likiang in north-western Yunnan.

His eloquent nostalgic book is an attempt to explain the philosophy of "Old Boy" Laotse, who substituted a "way" for a "god" and, after he had lost the ideological struggle with Confucius for China's mind, departed in admirable Taoist defeatism from China because he foresaw the downfall of the Chou dynasty.

No one—save, perhaps, G. K. Chesterton—could object to the abstract principles, moral values and ethical aspirations of Taoism, although the fundamental aim of "disappearing forever into the anonymity of nameless time and space" may lack burning appeal to perplexed western minds in the atomic age.

Mr Goullart describes the interesting differences between the deeply spiritual Lungmen school of Taoism, the attractively amoral Chengyi version and the rollicking Changtienssu deviation. His factual eyewitness report of an exorcism by a doomed and dying monk in the Monastery of the Heavenly Vault, near lovely Soochow, is horrendous, but in compensation he lists the love elixirs and nostrums which the Chengyi monks in happy pre-"liberation" days dispensed to earnest pilgrims from carnal Shanghai. Here is the prescribed Taoist recuperative menu for "a young lover of a certain wealthy widow in Shanghai . . . who appeared rather thin and emaciated":

> "Drunken" shrimps (*i.e.*, shrimps which have been marinated in wine, vinegar, ginger and spice and which are squeezed alive into the mouth), snapping turtle with eggs, roast chicken with mushrooms, roast eels with garlic and appropriate quantities of warm *focheng* wine.

Mr Goullart does not speculate on the fate of the great Taoist monasteries and their happy monks under the Mao regime. He hopes, pathetically, to return to his old secluded mountain paradise in the realm of the Goddess of the West. Western sceptics may well believe selfishly that it is better for the world that a man of Mr Goullart's humanity and sensitivity is now labouring prosaically for other people's welfare in the United Nations secretariat rather than laying up anonymous treasure for himself in a heavenly lamasery—which, anyway, is probably a party hostelry in a people's commune today.

"Kill Them All"

Massacre at Montségur

By Zoe Oldenbourg.

Weidenfeld & Nicolson. 432 pages. 36s.

One of the least known, but not the least atrocious, of the Crusades was fought in the south of France; its victims were the pious Cathars of the County of Toulouse and their Roman Catholic neighbours and friends. Understandably, like the destruction of the brilliant Islamic civilisation of Spain, this is an episode churchmen prefer to forget, and even in France, where history-teaching, for all its nationalistic bias, is at least comprehensive, schoolbooks tend to shuffle over the Languedoc Crusade; in England it is generally ignored. Yet its consequences were tremendous. It crushed the distinctive civilisation of Languedoc and led to the unification of France; it left a fertile subsoil in which protestantism flourished in the sixteenth and seventeenth centuries (only to be crushed by a further campaign of royal and ecclesiastical terrorism); it established the principle that love of God is less important than fear of God's self-appointed bailiffs; and it undermined the church's edifice from within, bringing about (in Miss Oldenbourg's words) a lowering of Christian morality from the consequences of which the church is still suffering.

By the beginning of the thirteenth century the priesthood of southern France had already fallen into corruption and disrepute. Even Pope Innocent III, instigator of the Crusade, admitted that his clergy

> are simoniacs who sell justice, damning the poor and giving absolution to the rich. . . . Hence the contempt in which both gentry and people hold the Church. . . . The Archbishop of Narbonne knows no other God but money . . . and when a living falls vacant he refrains from nominating a fresh incumbent so that he can enjoy the revenues himself. . . . Monks and canons have taken wives or mistresses and are living by usury.

The Cathars, in contrast, impressed "both gentry and people" by their puritanism and integrity. Anticipating protestantism, they denounced ecclesiastical pomp and idolatry, and avocated a return to the simplicity of evangelical Christianity; influenced by Manichaeanism, they considered the world, including the church, a creation of the devil and argued that the soul's return to God could be assured only by spiritual goodness, not by ostentatious outward forms of worship or the recital of magic formulae.

They confronted Rome, in short, with a crucial theological problem—one which, like all really important theological problems, could be resolved only by fire and the sword. On to papal politics were grafted the ambitions of the northern barons and the Paris monarchy; and—as often happened in Palestine and Syria—when the Crusaders captured a town they were apt to slaughter believers and infidels alike. "Kill them all; God will look after his own," their leader, the Papal Legate, Arnald-Amalric (later Archbishop of Narbonne), is reputed to have said; and when Beziers fell (in 1209) he proudly reported to the Pope that "nearly 20,000 citizens were put to the sword regardless of age or sex." One is happy to note that at Marmande, ten years later, the Crusaders' consciences asserted themselves: bishops and barons agreed that it would be dishonourable to kill the garrison, so only civilians were massacred. It was not until 1244 that the Cathar stronghold at Montségur was captured, and even then Catharism lingered on for over a century, to be consumed at last by the bonfires of the Inquisition.

Catharism might, in due course, have become as worldly as the forces which destroyed it; perhaps it was fortunate to suffer martyrdom in its uncorrupt prime. Its romantic appeal, rather than its austere doctrines, may explain the present boom in Cathar studies in anticlerical Toulouse and the central Pyrenees, where the steep path to Montségur has become a secular pilgrimage route. But no one who is unconvinced that might is right can fail to be moved by the Cathar epos; and Miss Oldenbourg, a distinguished historical novelist, tells the story brilliantly, though without ever subordinating fact to effect. The translation (by Peter Green) and illustrations are excellent.

Confusion Made Clear

The Fifteenth Century, 1399-1485

By E. F. Jacob.

Oxford University Press. 792 pages. 38s.

Professor Jacob's book is the last volume of the Oxford History of England to appear. It will supply a real need, for this confused period has in the past daunted or repelled most historians. For Bishop Stubbs there was nothing to it but a sorry tale; "weak as is the fourteenth century," he wrote, "the fifteenth is weaker, more futile, more bloody, more immoral." His distaste was probably shared by his great successors, for the years between 1880 and 1914, in most respects a golden age for English medieval studies, saw no adequate survey of the period. Since then, although a great many scholars have worked on the fifteenth century, concentration has focused mostly on particular aspects of its history, and investigation has therefore borne fruit in detailed monographs and learned articles. Professor Jacob's hard task has been to sort and collate the results of much specialised research, and to synthesise them in a general survey.

The nature of his materials is reflected in his book. The sheer bulk of information which it relays is impressive. For the general reader this may be a little disquieting; there is too much here to be taken in at a single glance, and he may sometimes find himself lost in the maze of facts and figures. This is particularly true of the discursive chapters on government and social background. For the student, however, these chapters, as the rest of the book, will in their own way be invaluable. Much of Professor Jacob's information is based on work which has not been published, and there are, for a volume in the Oxford series, an abnormal number of references to manuscript sources. Nowhere else will one find so much information, so carefully sifted, and condensed at last within the manageable compass of a single volume.

The real virtues of the book are much clearer in the narrative chapters. Here Professor Jacob has skilfully used his story to carry his erudition, letting events point for themselves the conclusions of research. Thus in his early chapters the ghost of the "Lancastrian constitutional experiment" is finally laid, and a new and convincing picture of Henry IV emerges; while later he shows how the emergency measures of the last troubled years of Henry VI were systematised into a method of government by the Yorkists, who thus laid firm foundations for the "new monarchy" of Henry VII. Never out of sight is the changing course of the war in France; and, most important of all, the background of European diplomacy is given its due prominence. The history of England in the fifteenth century will always remain intractable, unless one remembers how far the fate of the dual monarchy, in France and England, of Henry VI (and so the reputation of the house of Lancaster) was dependent on the relations of England and Burgundy, and how far the fortunes of the house of York were affected by the relations of Burgundy and France. Professor Jacob makes this very clear.

Perhaps the most enjoyable chapters in the book are those on the church and on the "peaceful arts," where the author is clearly on his own ground. But there is no need to single out passages thus for special praise. The whole work is a tribute to Professor Jacob's erudition, and to his powers of careful and conscientious analysis.

Self-Revelations

Personal Records: *An Anthology of Autobiography*

Edited by Margaret Bottrall.

Hart-Davis. 234 pages. 25s.

What justification can there be for making an anthology out of snippets of autobiography? Mrs Bottrall defends herself by comparing her book to a stroll round "a gallery full of self-portraits," and this literary gallery has indeed assembled a fascinating collection of personalities, ranging in the main from the seventeenth to the twentieth centuries, with one medieval character included (Margery Kempe) but no living one.

It is Mrs Bottrall's skilful arrangement of her extracts that makes her book so interesting and prevents it from being a mere miscellany. It is divided into seven sections: early years; expanding horizons; self-scrutinisers; women in love; pastime and good company; afflicted and distressed; and dedicated spirits. Thus, the book opens with Thomas Traherne's description of his intense childhood feeling of the innocence and eternity of the world around him. It ends with Joseph Conrad remaining "mindful of that sobriety of the interior life, that asceticising sentiment, in which alone the naked form of truth, such as one conceives it, can be rendered without shame." In between and just after Pepys's expressions of bonhomie—"a pretty and loving quiet family I have as any man in England" and "I am in good esteem with everybody, I think"—comes a description by J. S. Mill of the affliction of accidie, which Chaucer summed up as "unlust" and which today would presumably be diagnosed as a clinical depression, followed by William Cowper's account of a similarly distressing breakdown.

A hundred writers are included in all, and there are useful biographical notes on all of them.

The Big Assault

The Great Siege: *Malta 1565*

By Ernle Bradford.

Hodder and Stoughton. 256 pages. 25s.

"THIS cursed rock," said one of his Viziers to Sultan Suleiman I in his old age in reference to Malta, "is like a barrier interposed between us and your possessions." Forty years earlier the same Sultan Suleiman—whom his own people called Kanuni, "the Lawgiver," but the West knows better as "the Magnificent"—had wrested Rhodes from the Order of St John after a long and stubborn siege, chivalrously allowing the Grand Master and his Knights to depart with the honours of war. Now, however, the old Padishah felt less inclined to forbearance. Malta was a very different proposition from Rhodes lying in the shadow of his own coasts. For not only was Malta—poised at the cross-roads of the Middle Sea—a serious menace to his far-flung territories on both sides of that sea as the strongly held base of his most persistent enemies; if it could pass into his hands, its possession would make him the master of the Mediterranean. So he assembled a land and sea force immense for those days—31,000 men and 181 ships—and determined to take the island at all costs and destroy the pestilent Order that had ever been a thorn in his side. It is of the four months of the Great Siege of 1565 that this book treats.

"*Rien n'est plus connu que le siège de Malte,*" said Voltaire with truth, for there have been many accounts of this great assault and defence, on whose outcome hung the fate of Europe, although fewer in English than in other languages. This is Mr Bradford's justification, coupled with his own deep interest in the subject, for producing yet another description of one of the decisive campaigns of European history. He knows the terrain, has studied the authorities on the siege, and his specialised knowledge as a former naval officer who has served in Malta in wartime is definitely a qualification for the task. Mr Bradford is more seaman than scholar and this is no work of original research. But the author, having conscientiously consulted the accounts of his predecessors, has written a brisk, detailed narrative of those four fateful months that is easy to follow. Against the background of the topography we are told of the course of the operations; of the gallantry of both sides; of the tenacity of the defenders, supported by the Maltese people but reduced to the direst straits through the delay in the arrival of the relieving force of the Viceroy of Sicily; of how the Knights were better equipped than their attackers—although the Turks possessed the best professional army of the time—to resist disease and epidemics because they were hospitallers as well as soldiers.

But it is questionable if the quasi-fictional style in which much of the book is written is really best suited to a work that sets out to be factual. We are told that "none of the dialogue in this book has been invented." Yet we read that Sultan Suleiman suffered from acute gout and, in the very next line, that on receiving the news that his enterprise had failed, he "threw the despatches on the floor and stamped on them." Not thus are the gouty accustomed to vent their rage.

The book is handsomely produced, and the plates, showing engravings of various aspects of the siege made in 1582, are helpful.

Painters without Honour

Golden Decade: *The Story of Impressionism*

By Lawrence and Elisabeth Hanson.
Secker and Warburg. 312 pages. 30s.

THE Hansons are such practised hands at the art of biography that they can persuade us that there is room for this further book about the impressionist painters. If nothing startlingly new has come out of their researches, if fact has sometimes been heightened by imagination, if this book makes no serious contribution to art history, if it is more about the men than their techniques, nevertheless what an absorbing story it makes. With a sure sense of drama, they provide an account of how a group of artists, including names that were to become the most famous of the century, came together in a concerted fight against the criticism of the public, the Salon and most of the Paris art world.

If impressionism is reserved for the work of painters preoccupied with the optical reactions to colour and the representation of light in landscape, then Monet, Sisley and Pissarro were pure exponents of it. But Renoir, too, used the impressionist techniques in his joyous paintings of Parisian life out of doors and there were others who, at one time or another, tried a similar style. This book resists the temptation to try to put the impressionists into a watertight compartment. Manet's career is considered at some length, but it is made clear that, although he had a great influence on the younger painters, he did no more than flirt with impressionism. Degas, too, although he has been called the aristocrat of the impressionists, was much more of a classical painter than the others. It is the days of differences as well as the days of unison that stand out from this story.

Perhaps there may linger some doubt whether these young painters were quite so badly off as the authors suggest in what they describe as the golden decade, that is, in the years from 1872 to 1882. Some researchers into the records of the firm of the great dealer Durand-Ruel have suggested that the sums paid out to members of the impressionist school, although small in comparison to those given to established artists, were not too pitiful. However, whether through misuse of funds or not, Monet in particular seems to have faced periods of severe hardship and his determination to continue with his experiments reflected a strong belief in his aims. The time lag in the appreciation of art is an endless source of discussion. After reading this book, should we feel that we are more enlightened today in our reception of contemporary art? Or are the critics leaning over backwards to prevent another story like this being written?

Shakespeare's Histories

The Cease of Majesty

By M. M. Reese.
Edward Arnold. 359 pages. 35s.

THOUGH a little over-long, this book is probably the best account of Shakespeare's histories. It has critical insight, and it is particularly good in relating the plays to the Elizabethan historical background. The terms in which the publisher recommends the book are, however, unfortunate. "For a long time," we are told, "it has been the accepted practice not to take Shakespeare's politics very seriously." We are then promised a corrective to the view that Shakespeare was "an all-weathers champion of the Establishment." Messrs Arnold need assuring that a formidable number of scholars have spent much time on elucidating Shakespeare's political opinions, and that the modification of those

opinions by his general response to the human situation has not been neglected. Mr Reese's book represents a by no means startling development from already well-known work. It has the distinction of being comprehensive, well organised and generally well balanced.

Its thesis is that Shakespeare, writing in a time of political danger and fear (excellently described in Chapter II), explores in his English histories the relations of governor and governed, and contemplates the notion of a politically ideal society in which each of its members partakes of the "majesty" personified in the ruler. But Mr Reese recognises that in working towards such a relationship, as a politician must, there will be continual need for the exercise of a rough-handed justice that both limits and partially strains a man. *King John* is interesting here, with the brash Faulconbridge having a surer sense of political right than finer natures in the other plays can reach. Later, while not gainsaying his earlier conclusions, Shakespeare became less interested in problems of government and (apart from *Henry VIII*, a special case) wrote no more histories after he had made what he could of Henry V—conqueror, patriot, firm ruler, sharp assessor. Moreover, even within the histories there is a recurrent awareness that political failure may represent something more fully alive than success.

One might wish that Mr Reese had throughout made the complexity of his views more evident: he is a little inclined to write in admiring terms of the political "message" and then to offer an almost medieval "retraction." Nevertheless, a reasonably careful reader will not take away an impression of over-simplification. At moments the desire to make a point leads to distortion (as in the remark that the "inspired Machiavellian" side of Richard III "was only for light relief," the near-disregard of the link between Henry V's French campaign and his father's dying counsel, the odd assertion that Hotspur estranges his wife), but there is not much to quarrel with in the total picture of any one play.

A few minor errors of fact appear: Chapman's Montsurry did not kill Tamyra; Aegeon was not Duke of Ephesus; there is no substantial evidence that Tarleton wrote *The Famous Victories*; and why does Mr Reese think that Falstaff was knighted after Shrewsbury? An endearing misprint transforms Touchstone's "Jane Smile" into "Jane Shore."

Tracing a Myth

Arthur of Albion

By R. W. Barber.
Barrie and Rockliff. 230 pages. 30s.

IT is a formidable task to attempt to trace the literary meanderings of the myth of Arthur, from its origin in the age of the Saxon invasions to its latest expression in the novels of T. H. White. Too many strands have been woven into the story—Celtic legend, courtly sentiment, Christian ethics and pure fiction—and the business of sorting them has daunted many writers.

Nevertheless, Mr R. W. Barber has managed to condense a great deal of information into the hundred and eighty odd pages of his "Arthur of Albion." What he gives us is a chronological survey of the growth and elaboration of the legend of Arthur. The fragments of early Celtic tradition, Geoffrey's "history," the poems of the French, and the Gawain cycle are all discussed in turn. The plots and incident of the major romances are economically synopsised, and the stages traced by which the various elements were woven into a cycle of legends, which found its most perfect expression, in English literature, in the prose of Malory. The only important omission in this methodical survey of the development of the myth in the medieval period is any serious consideration of that most baffling of all its elements—the Grail legend.

The last two chapters of the book, which deal with the literary fortunes of the Arthurian story since the fifteenth century, are less successful. Here Mr Barber's encyclopaedic approach, analysing the sources used and comparing the manner of their employment, seems less appropriate. The views of Miss J. L. Weston may no longer be accepted by the learned, but surely only the distorting lens of scholarship would suggest that Eliot's adoption of them affected the literary merit of his "Waste Land." But it would be unfair to labour this criticism against a book that brings a long legend and much long-winded learning into a small compass.

OTHER BOOKS

FRENCH EIGHTEENTH CENTURY FURNITURE. By Geneviève Souchal. FRENCH PORCELAIN. By Hubert Landais. *Weidenfeld and Nicolson.* Each volume 128 pages. 27s. 6d.

Two new volumes in the "Pleasures and Treasures" series. Both these translations from the French are tributes to French craftsmanship in the eighteenth century. Colour plates show some of the important decorative pieces made at that time.

IMPERIAL PEKING: *Seven Centuries of China.* By Lin Yutang. *Elek.* 227 pages. 63s.

Lin Yutang, author of "The Importance of Living," was formerly resident in Peking and writes informally of its history and people. The book is amply illustrated with photographs, many in colour, of the symbols of an ancient glory—palaces, temples, pagodas and many art objects. Some of the illustrations are from the collection of the Palace Museum which the nationalists carried with them to Formosa. An authoritative essay is included on Chinese art, with special reference to Peking, by Mr Peter Swann.

NINEVAH AND BABYLON. By André Parrot. Translated by Stuart Gilbert and James Emmons. *Thames and Hudson.* 398 pages. £6 15s.

The text is as important as the illustrations in this handsome volume, the second in the "Arts of Mankind" series. It describes, first, the world of the Assyrians, who played the main part in Middle Eastern history from 1200 BC until 606 BC; and then the subsequent empires of the Babylonians, neo-Babylonians and Achaemenians. In contrast to the art of Sumer, described in the first volume, which was largely of a religious nature, that of the Assyrians was secular. It is not such moving art, but it is imposing and stately. The illustrations are not only of sculpture and reliefs, but also include colour reproductions of paintings, in particular the remarkable frescoes discovered at Til Barsip in 1929.

RENOIR. By François Fosca. Translated by Mary I. Martin. *Thames and Hudson.* 271 pages. 30s.

The latest addition to the "World of Art" series builds up a portrait of Renoir, his life and achievements, against the background of the Impressionist movement. If the colour plates are less successful than the black and white ones, this is still good value.

THE STORY OF ENGLAND: *Makers of the Realm.* By Arthur Bryant. *Collins.* 399 pages. 42s.

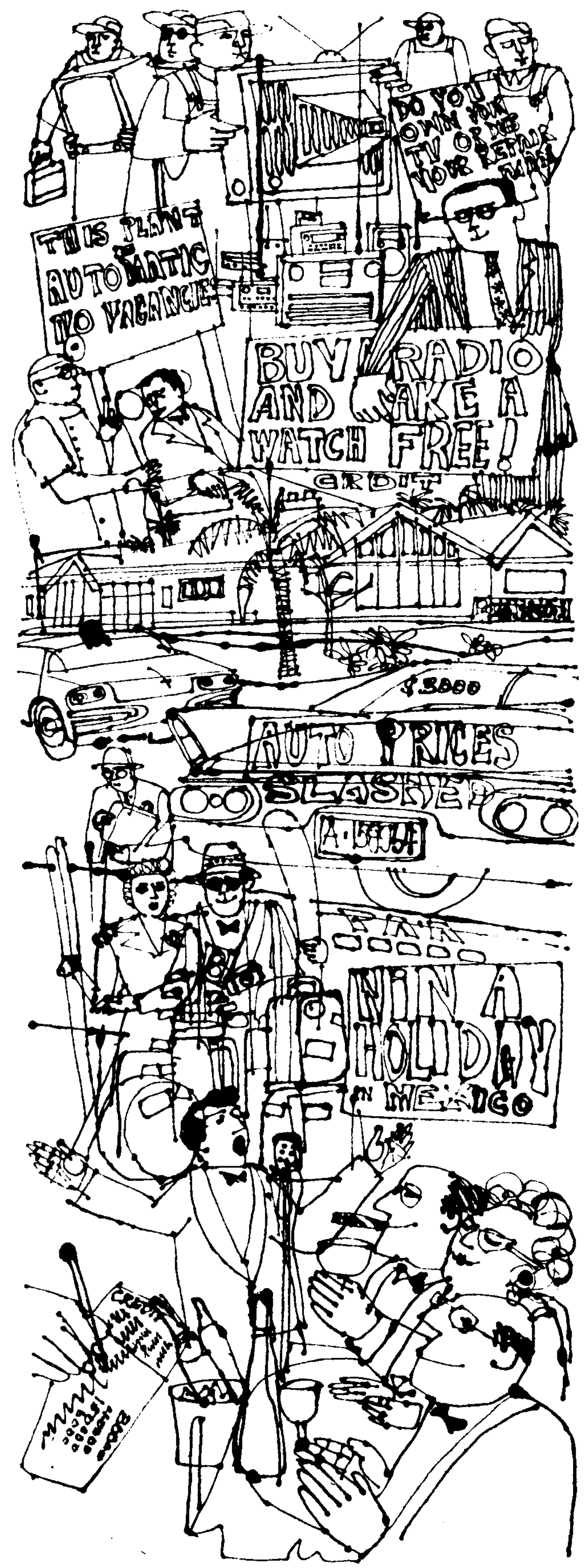
The second volume of Sir Arthur Bryant's history will appear next year. In the meantime, a new, illustrated edition of the first volume has appeared in time for the Christmas market. The "story" is taken down to the reign of Edward I, and the illustrations—almost all in black and white—have in most cases a direct reference to the text. They range from the White Horse at Uffington to the carving on medieval churches and cathedrals. But the accepted name of the abbey, now a prison, where the effigies of four Plantagenets can still be seen in splendid isolation, is surely Fontevrault, not Fontrevault.

AN INTRODUCTION TO THE HOUSE OF COMMONS. By Robert Rhodes James. *Collins.* 160 pages. 12s. 6d.

The author is a senior clerk in the House of Commons, and he has here written a brief, lucid account of the House of Commons that could hardly be bettered. He describes the physical appearance of the House, how it functions, the ordeal of the maiden speech, its records and its committees. There are also a glossary of parliamentary terms and notes for further reading. There is not the slightest suspicion of writing down to the reader—any adult will read it with enjoyment and benefit—but it will be particularly useful for the upper forms of schools.

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.



Sorcerer's Christmas

WASHINGTON, DC

AFFLUENT in spite of taxes, Americans will have spent an estimated $8 billion on Christmas gifts when this weekend is over. Because more of them than of any other people now on earth are closer than human beings have ever come to having everything, the purchases included such exotic items as bathrobes of ermine and gold and silver golf putters. But there were also cut-rate bargains galore for those prepared to fight their way in and out of crowded shops. Price-slashing by retailers hungry for their diminishing share of the consumer's dollar rises to a peak at Christmas for toys and dolls, but for many other things it goes on all the year round. Discount shops offer television sets, dish-washers, vacuum cleaners, books and gramophone records at a third off. The more conventional shops wage a losing battle in this obverse of the ubiquity of oligopoly. It is probably significant that this month the heroine of a comic strip, a girl called Sally who worked in a department store and fought sternly against Bob Small, the manager of a discount shop, struck her flag and married Bob, thus ending the war and the comic strip.

Consumers are spending proportionately less in shops because they are compelled to spend proportionately more on services. An increasing share of their dollar goes into the jeans of affluent repairmen—though some despairing householders decided long ago that it was cheaper to trade in cars and television sets than to have them mended. A rising share of the consumer's dollar also goes on 15 per cent tips to waiters and taxi-drivers, on the interest payments on instalment buying and on the fees of doctors and dentists. A single illness may suffice to turn affluence into indigence; a single tooth may cost as much as $350.

To get people to spend money on goods, businesses offer such bargains as a cut-price power-saw with every purchase of plywood, and a five-foot stereophonic radiogram in fine woods as an enticement to join a record club. One electricity company increased the consumption of its power by distributing electric dish-washers among its potential customers. People who supply the missing fourth line of an advertising jingle and send it in along with a label or box top may win prizes that include motor cars, trips to South America and, in one instance, a house costing $60,000, with three bedrooms, complete air conditioning, $10,000 worth of furniture, two cars in its garage and a swimming pool. The manufacture of prizes and give-aways, called premiums—fall-out detectors are included among them—has become one of the country's growth industries. The firms that order the goods to bestow on their customers are estimated to spend annually on them $2 billion that would otherwise, no doubt, go mainly in taxes.

But over-zealous pursuit of a share of the consumer's dollar has its perils. Under pressure of discount prices, the number of business failures has reached the highest point since 1933. The motels this year, aspiring to a billion guests, contrived to combine a record building rate with a record number of bankruptcies. Motel-owners offered free baby-sitters, kennels for pets and heliports; unfortunately they also added so much accommodation to what was already available that every man, woman and child in the United States would have to make six visits a year to motels to keep them all occupied.

Part of the consumer's dollar goes, by way of taxes, to subsidise farmers, some of whom drive about in expensive motor cars paid for out of money that was handed over to them for growing less. Mr Orville Freeman, the Secretary of Agriculture, finds himself sharing the plight of the sorcerer's apprentice, confronted by innumerable unwanted stores of maize and wheat, abattoirs packed with pigs, warehouses bulging with turkeys and a tidal wave of surplus milk. This year even the American bee, determined not to be behindhand, produced golden Niagaras of honey to spread on the acres of bread and the hundreds of millions of pounds of butter. But, while the cows and bees are busy breaking all production records, the American consumer, terrified of medical bills, is watching his weight and cutting down on his consumption of fattening foods.

In spite of under-used industrial capacity, the pace of technological advance adds continuously to the affluent upheaval. Businessmen, hoping to acquire some startling novelty that will lift them out of the ruck of cruel competition into an Elysian field of exclusivity, spend some $300 million a year on basic scientific research. The scientists reward them with such awkward gifts as plastic houses that will not burn and polypropylene carpets and polyolefin clothes that will not wear out ; they threaten shortly to produce a motor-oil that will never need to be changed. This year the American paper industry, which has suffered from the competition of polythene bags, dreamed of getting its own back on the textile industry by turning out throwaway paper clothes. But the paper industry's boffins produced paper suits able to stand up to thirty launderings ; finally they may prove as endurable as polyolefin or even Harris tweed.

New York now has a fully automated train, able to carry 800 passengers but operated by a punched tape instead of by a man and the Department of Agriculture proposes to install computers to keep its records and so save an estimated $1,500,000 a year. One day, automation may succeed in squeezing out of the affluent economy television repair men and perhaps even taxi-drivers, though most Americans fear that doctors and dentists like the rest of the rich, will always be with them. But if the bank-clerk, the sales-clerk, the company vice-president and the other paper-shufflers are to be replaced by machines, thinking Americans wonder apprehensively if the machines will be equipped with money to spend. If they are not, the over-abundance and unemployment already so much in evidence may continue to grow hand in hand.

Another foreseen peril is that machines that are clever enough to replace human beings may outsmart them in other ways as well. At first, it was optimistically estimated that automation would help to oust the conformists in grey flannel suits, who have dominated American organisational life for so long, substituting for them men of imagination who could cope with swift technological change. But the belief that automated affluence could bring about a new birth of individualism waned when it was noted that some of the new, creative-minded managers lost if required to match their wits against computers in business games.

These are some of the woes of affluence that America's new breed of wry jesters joke about into microphones in nightclubs, where affluent waiters pocket large tips and empty ash-trays over untouched slabs of butter before bearing them away from the tables of weight-reducing customers. One such comedian was inquiring this week if the machines that won wars would have enough sense to leave some people alive. Another speculated that, at the rate things are going, by next Christmas a whole new economic class may have arisen in America—the *nouveau* poor.

Santa Claus up a Tree

FROM A SPECIAL CORRESPONDENT

THE Hessian soldiers whom some credit with bringing the tradition of the Christmas tree to the new world would be surprised by the way it has grown and changed. With considerable tenacity and questionable taste the shops have succeeded in stretching the Christmas season (if not its spirit) so that it now lasts from November until January. This means that cut trees shed their needles long before December 25th, so artificial Christmas trees have come to the rescue. One department store in New York is using 54 of them for its display and for the second year in succession a steel tree 64 feet high and capable of withstanding a hurricane has been placed on the roof of one of the New York skyscrapers. Artificial trees are especially suited to buildings which must comply with stringent fire laws, and they come in sizes and colours to attract the most jaded eye. Making them is big business in the United States and some are imported from Japan and western Germany. Although the better ones are expensive (one realistic plastic model four feet tall costs $26) they can be used over and over again. Storing them is no problem since they either collapse or can be dismantled.

In spite of the advantages claimed for the artificial Christmas tree, most Americans still like the genuine article. This whimsical preference is responsible for a large industry which this year has produced 45 million trees (one third are Canadian) with a retail value estimated at $86 million. Many kinds of conifer are used but three account for over half the market: Douglas fir, Scotch pine and balsam fir. Depending on the variety, trees are ready to cut in from five to thirteen years. Most of the crop comes from natural stands in northern and mid-western states. But every year more and more plantation-grown trees are sold and over half a million acres are now devoted entirely to their cultivation.

SINCE they will grow on land unsuited for other crops and in conjunction with long-term re-afforestation, they have the blessing of the Department of Agriculture, which for over a decade has included Christmas trees in its crop-marketing reports. The department is urging the growers (now organised in over twenty states—the Indiana association met last summer in a place called Santa Claus) to improve the quality of their crop by more attention to such details as shaping and spraying. The experts feel that a well-shaped natural tree, even though it may need to be fire-proofed or even dyed pink, will always be more popular than the synthetic sort. Prices vary considerably; a rough rule is a dollar a foot.

Fortunately some sentiment can still be found. In New York City for seventeen years private contributions have made possible a three-mile long war memorial of thirty stately Christmas trees along Park Avenue. For three weeks around Christmas they are lit from dusk till an hour past midnight. Each year more rural and suburban families decorate trees actually growing in front of their houses for the benefit of passers-by. This fashion is often encouraged by public-spirited groups which may offer a prize for the prettiest, but occasionally the effect is spoiled by the addition of prancing reindeer or a life-size Father Christmas.

In Washington, DC, six men worked for four days to decorate the national Christmas tree which the Vice-President lit this week in a ceremony which was televised all across the country. The honour of providing the giant on the White House lawn is rotated among the states (as yet Hawaii has not had to face this challenge). This year the tree, a 75-foot Douglas fir, is a gift from the State of Washington. The cost of transporting, lighting, and decorating it is borne by the concerns involved, who apparently find that crumbs of publicity are sufficient recompense. The expenses are higher than usual this year. For the first time a completely electronic device will be used to synchronise tape-recorded Christmas music with the lights on the tree, which will change colour to match the mood of the music. Although a few other Christmas trees scattered around the country have been equipped with this invention, no other will provide " mobilecolour " with a country-wide television audience for its debut.

No Peace for the United Nations

WHENEVER and wherever Mr Kennedy and Mr Macmillan have managed to meet, it cannot be easy for them to avoid at least some discussion of the sharp cross-fire in which the United Nations is caught. In the United States, as in Britain, the organisation is in hot water with right-wing conservatives over its operations in Katanga, while its warmest supporters have been chilled this week by the ability of India—that pillar of rectitude—to swallow Goa without being given so much as a rap over the knuckles by the Security Council. Ironically, the problem which was once thought most likely to turn Americans against the United Nations—the question of admitting Communist China—has been shelved once more without any trouble. But no one imagines that this reprieve is more than temporary and on other fronts the immediate outlook is stormy.

Unless the agreement just reached in the Congo is converted into a stable political settlement in the next few weeks, the Administration will face trouble in Congress over its support for the operations of the United Nations in Katanga. The United States has borne the lion's share of the cost and, alone among the great powers, has given unhesitating moral support as well. Senator Dodd, a right-wing Democrat from Connecticut, who has recently returned from the Congo, is pressing for a congressional investigation by the Foreign Relations Committee, of which he is a member ; Senator Lausche, another Democrat, considers the action of the United Nations illegal. Public opinion is being whipped up by a group calling itself the American Committee for Aid to Katanga Freedom Fighters, which in full-page advertisements labels Katanga the Hungary of 1961. The collapse of Katangese resistance makes it a little late for aid, but not for the sowing of confusion by this motley collection of ex-McCarthyites, John Birchers, right-wing intellectuals and extremists of both parties. But for some timely advice from the President, Senator Dirksen, the Republican leader in the Upper House, would still be one of their sponsors. This violently anti-communist group fails to see that chaos and disintegration in the Congo is a standing invitation to communist penetration and it is composed mainly of people who are left cold by the argument that if the United Nations fails in the Congo its authority to keep the peace will disappear.

A number of the true friends of the United Nations are disturbed by the need for it to make war in order to preserve peace, but in the long run greater damage is likely to be suffered over Goa. India's willingness to use force was disillusioning, but what was worse was the refusal of the Afro-Asian members of the Security Council to support the demand for a cease-fire. Given their present numbers in the United Nations, no appeal from the Soviet veto to the Assembly is likely to succeed. It was this which Mr Adlai Stevenson found so ominous. His alarm may have been excessive, but many Americans will feel with him that the neutrals, who have the most to gain from strengthening the United Nations, have instead weakened it and undermined American support for the organisation.

Aid Unaligned

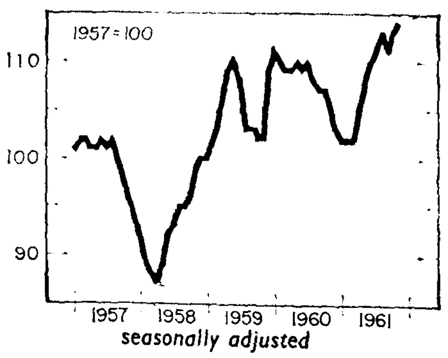
GHANA is finally to get its huge Volta dam and hydro-electric plant, with the United States lending about one-fifth of the total $196 million—the World Bank is putting up a quarter, Ghana itself one-half and Britain $14 million—and the aluminium smelter which guarantees that these loans can be repaid ; the United States is also lending three-quarters of the estimated cost—$128 million—of this smelter to the consortium of private American companies which are responsible for the plant. Until the last moment it was uncertain whether President Nkrumah had forfeited American aid by his flirtations with Russians abroad and with both communism and dictatorship at home, but this behaviour gave an excuse for a delay which from the point of view of the United States was well worth while.

Coupled with slowness in dealing with requests from another Russian-aligned neutral, Jugoslavia, and from a slightly shaky satellite, Poland, for agricultural commodities, the delay demonstrated to the world at large that American aid cannot be taken for granted ; while it does not have political strings attached (or only very weak ones—loans are normally paid out in instalments), aid is based, particularly under the new Administration, on hard-headed political calculations, not on altruism. Secondly, the delay gave time for similar help to be offered to other newly independent and more co-operative African countries, Tanganyika and Nigeria (which has been promised much more than Ghana, $225 million over five years) ; thus the loan to Ghana no longer looks so much like a reward for being difficult. In fact it would have been almost impossible to refuse it: not only was the memory of how Russia profited when the United States refused to help Egypt's Aswan dam in everyone's mind, but also the whole Volta project is an impressive example of the kind of carefully-worked-out development scheme which all countries wanting American aid have now been told that they must produce as a condition of receiving that aid. Tanganyika and Nigeria will both have to offer specific projects before their loans become more than a promise.

Similarly, the Polish and Jugoslav requests could not have been turned down without giving support to those who argue that American humanitarianism is insincere, for both countries need grains and edible fats, with which the United States is over-supplied, to satisfy their people's hunger. Moreover, the reason why these two countries were assisted originally, to encourage them to maintain their independence of Russia, is still valid even though recently they have not asserted that independence very noticeably. Both are now apparently to get substantial quantities of these commodities, although perhaps not as much as they asked for.

INDUSTRIAL PRODUCTION

November's record-breaking economic record in America has been confirmed by the announcement that in that month the index of industrial output also broke through its previous high level. The increases were particularly marked in consumer durable goods, notably motor cars.



Teacher's Choice

FROM A SPECIAL CORRESPONDENT

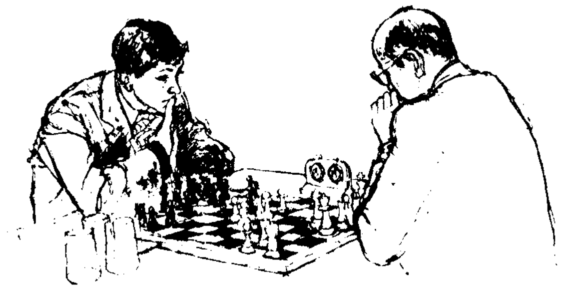
An historic election has just determined that the United Federation of Teachers shall be the sole collective bargaining agent for the 44,250 elementary and secondary school teachers in New York City. This has been the biggest white-collar election in labour's history and the largest vote on collective bargaining for a quarter of a century. In June, 1960, after years of grumbling by many teachers, the city held a referendum to discover whether teachers wished to be represented by a collective bargaining agent. They voted overwhelmingly (3 to 1) for such representation. The UFT had been instrumental in collecting 12,563 signatures to a petition for the referendum. It is a somewhat militant organisation and, besides urging the city authorities to improve the teachers' working conditions, it called a dramatic one-day strike on November 7, 1960, when promises made by the city's Superintendent of Schools were not honoured. The referendum itself had been carried out over his opposition; his attitude was "I don't bargain with my own family," of which the teachers were considered a part. In this week's election the UFT won by a vote of 20,045 to 9,770 for the Teacher's Bargaining Organisation, its main opponent. The Honest Ballot Association conducted the election.

The UFT is a branch of the American Federation of Teachers, which is in its turn a trade union directly affiliated to the American Federation of Labour and Congress of Industrial Organisations. The American Federation of Teachers is comparatively weak and before this election it represented approximately 100,000 teachers. The victory of its offshoot in New York means almost a fifty per cent increase in its strength at one go. The organisations that vied unsuccessfully for the teacher's loyalty were the Teacher's Bargaining Organisation and the Teacher's Union. The Teacher's Union is a small group without state or national affiliates. Rumour has it that the union was or is communist-dominated; it was expelled from the American Federation of Teachers in 1941 and in 1950 it was barred from official dealings with the New York City Board of Education. It won fewer than 3,000 votes on Monday. The Teacher's Bargaining Organisation is composed of educational associations in New York City and is affiliated to the National Education Association, a non-profit educational foundation started as a study group in 1906 under a congressional charter; nearly half of all the classroom teachers belong to it. Originally the NEA vigorously opposed collective bargaining representation for teachers as "unprofessional." But when the result of the referendum in June became known there was a startling shift in policy and the Teacher's Bargaining Organisation was formed hurriedly in what proved to be a vain attempt to prevent the teachers linking-up with the trade unions and the 14-million-strong AFL-CIO.

The importance of this election was fully realised by all the participants. Full-page advertisements were placed in some New York newspapers; money, manpower and moral support were given to the UFT by various trade union organisations and to the TBO by the National Education Association. Veteran observers were particularly impressed by the enthusiasm of the volunteer workers of the United Federation of Teachers. The three teachers' groups themselves campaigned tirelessly and by the eve of the election many accusations, true and false, had been exchanged.

The choice of the New York teachers is a great victory for the trade unions because of the impetus it will give to the organisation of white-collar workers. It may also prove to be of major importance to education. Not only will the UFT bargain for higher wages, shorter hours and other historical union objectives, but through it the teachers may also become an influential lobby for reform and progress in education. They will be in a position to bring their influence to bear on such matters as the size of classrooms, federal aid to education and broad educational policies.

Young Man's Game



FROM A CHESS PLAYER

'Tis the season to be jolly—but one of the most popular gifts under the tree this year is a game more conducive to frowns than smiles. The game is chess; the explosive growth in its popularity during the past twenty years has been a part of the post-war generation's intellectual fall-out. Chess in America is dominated by youth. In Milwaukee this past summer 1,400 boys and girls pushed pawns and cried "checkmate" in an annual tournament that is now in its twenty-second year. All across America, this winter, beardless experts are outwitting bald-pated masters in a thousand club matches and local and regional jousts. The titles of the major tournaments sound like a roll-call of the states and cities: the Arkansas Open, the Kentucky State Open, the Anchorage, Alaska, "Fur Rendezvous Open," the China Lake, California, Open, the Pacific Northwest Open, the Coral Gables, Florida, Open. Even Texas has its chess tournaments: the "Bayou City Open," the Yucca IV Texas Regional Tournament, the Texas Junior Championship, and others.

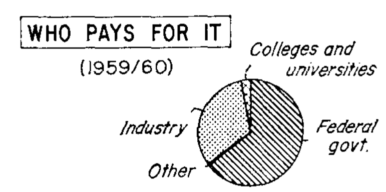
It is a rare city in America today that does not offer more competition than the average player can handle. Washington, DC, for example, not only has its own annual championship matches, but is also host each year to one of the strongest regional tournaments held anywhere, the Eastern Open. In addition the more than two dozen active chess clubs in and around the city hold a round-robin of interclub matches each winter. The chairman of the interclub tournament committee is the current champion of the District, Mr Larry Gilden, a 19-year-old college student who holds the official American chess rating of Master. This past summer he was a member of the American student team which flew to Helsinki to defend its world championship title, won last year at Leningrad after a shattering upset of the strong Soviet student team.

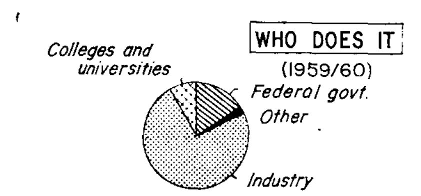
The Soviet Union again felt the pressure of American youth in the Grandmaster Elimination tournament which was held a few weeks ago at Bled, Jugoslavia. The top American player in the competition to determine who is to challenge the Soviet holder of the world championship, Mr Botvinnik, was an 18-year-old, the Brooklyn-born Mr Bobby Fischer. Of the twenty competing Grandmasters from nine countries, only Mr Fischer, the youngest, did not lose a single game. He drew with one Russian Grandmaster, Mr Keres, and defeated three others, Messrs Petrosian, Geller and the former world champion, Mr Mikhail Tal. But Mr Tal won more games and gave up fewer draws than the American and his final score was one point better. Mr Fischer's remarkable performance was no accident. He has been American champion four times, the first when he was only fourteen years old.

The young American girl who takes up the game need not think she is devoting herself to a boy's pastime, or that charm is incompatible with chess. At present the American women's chess crown is gracing the fashionable brunette hair of 23-year-old Miss Lisa Lane. Although attractive enough to tempt a Hollywood film scout, Miss Lane is a chess expert of near-Master strength. So as to be abreast of the latest chess theory and practice, Miss Lane has been learning Russian. This was necessary, as it is necessary for every really dedicated non-Russian chess player, because most of the modern study of the theory of chess has been done by the Russians, who publish their results in the two principal Soviet chess periodicals, *Shakhmatny Byulleten* and *Shakhmaty v SSSR.* There is a growing body of chess literature in America and two fine chess magazines are published—*Chess Life* and *Chess Review*—but much of what is written is addressed to the beginner and to the player of intermediate strength.

Because of the exuberance with which Americans—not only the young, but people of all ages—have been taking up the ancient and royal game, the market for chessmen, chess literature and chess novelties is a rapidly expanding one. Christmas catalogues all feature chess items; at this time of year it is a rare department store that does not have a chess set somewhere among its window displays. A growing number of importers are specialising in gifts for the chess fancier, such as richly decorative ivory sets ($200 and more) from India and Japan, and finely tooled wooden sets ($10, $20, $30) in the classic Staunton design from Mexico, Brazil and France. And perhaps one of these sets—or a much simpler one—will stimulate some child to master the game, and go on to wrest the world leadership in chess from the Soviets. That is how Master Bobby Fischer got started, at the age of six, with a gift set.

Scientific Research



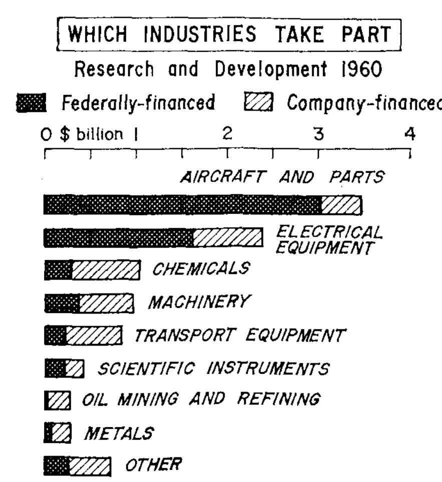


Last year over 300,000 scientists and engineers in the United States were engaged in research and developmental projects costing about $14 billion, compared with only $5 billion in 1953. Today research is regarded not only as a decisive factor in the defence of the country, but also as essential to its economic growth. Yet the search for knowledge operates within a curiously lopsided framework. It depends in the main on government financing and on its ability to meet the short-term demands of military planners and industrialists, both of whom are interested primarily in practical results, not in knowledge for its own sake.

Of the total which was spent in 1960 the government provided about $8 billion, roughly three-fifths. Its research and development programmes are largely taken up with the defence effort: over 90 per cent of this money was channelled through three agencies, the Department of Defence, the Atomic Energy Commission, and the National Aeronautics and Space Administration. Most of it was spent on applied research or development and much involved costly work on space vehicles and exploration, weapons systems and the uses of atomic energy. This entailed research primarily in the physical sciences, particularly in nuclear physics, chemistry and atmospheric sciences. The government also allocated large sums for studies of health and of the control of air traffic as well as for research in oceanography, weather modification and antarctic problems. It spent about $500 million for new plant, notably that to be used by the AEC for conducting controlled thermonuclear experiments.

The government contracts out most of the actual research and development work—10 per cent to universities and non-profit institutions and over three-quarters to industry. In 1960 private firms disbursed $10.5 billion, $6.1 billion of which was provided by the government. Private firms contributed a much smaller share of the total (42 per cent) than they had in 1953 (61 per cent). Total spending on research increased sharply during the nineteen-fifties and it has also gone up as a percentage of the gross national product—from 1.4 per cent in 1953 to nearly 2.8 per cent in 1960.

Last year about $1 billion was spent on basic research, that is on acquiring the underlying knowledge on which both applied research and development are founded. This is over twice what was spent in 1953-54, but about the same proportion—8 per cent—of all spending on research. Many people feel that this is not enough and that the pool of pure knowledge is being exploited more rapidly than it is growing. The most recent detailed figures for spending on basic research are the preliminary ones for 1957-58 given in the table; they show that, though the federal government provided more than half of the money, more than half of the work was done by colleges, universities and other non-profit institutions.



	Who pays for basic research	Who does the research
	($ million)	
Federal Government..	423	111
Industry	249	272
Universities	111	392
Non-profit Institutions	52	60
Total	835	835

Government research contracts cause real problems for the universities. Harvard, looking this gift horse in the mouth, points out in a recent pamphlet—one of 23 to be published by various universities—that the federal emphasis on research may be at the expense of teaching and that the government's concentration on certain fields—the physical sciences and medicine—threatens to upset the balance between different fields of learning. A more common complaint is that federal payments for research tend to underestimate the indirect costs of it to the institution; such "unreimbursed" costs may lead a university to refuse an otherwise attractive contract. The recent decision of the AEC to pay the University of Chicago a "managerial fee" of $1.2 million a year for running the Argonne Laboratory may presage a more generous policy; originally the commission offered half that. What is harder to satisfy is the complaint of many scientists that federal contracts deprive them of the freedom to follow up the most promising lines of research. Yet the equipment needed is often now so elaborate and the cost of research—including scientists' salaries—so high that the universities which have been receiving federal funds are frequently reluctant to give them up.

Law for Sit-ins

Last week the Supreme Court reversed unanimously the convictions of sixteen Negroes accused of causing a breach of the peace in Baton Rouge, Louisiana, in April, 1960, when they insisted on sitting at a lunch counter reserved for whites. This was the first case of its kind to reach the high court, but it is far from likely to be the last. As is traditional (and usually prudent) the majority opinion carefully avoided grasping any unnecessary constitutional nettle. Instead it found simply that there was no evidence to support the charge of a breach of the peace as this offence is defined in Louisiana (the state has since changed the law to make it apply to such sit-ins). Two of the concurring Justices, however, were not satisfied to leave the matter there; Justice Harlan declared that the state, by arresting the students, was interfering with their constitutional right to free expression and Justice Douglas argued that a state which licenses restaurants thereby makes them public facilities; it cannot license a restaurant simply to serve one race.

The constitutional bans on racial discrimination apply only to states and their officers, not to private individuals. But many of the 4,000 or so Negroes, who have been arrested in the last couple of years are charged with an offence against private property: trespassing. The really thorny question which the Court will probably have to face some time is whether it is unconstitutional for a state to enforce private prejudice. Meanwhile, however, the convictions of several hundred "freedom riders" seem likely to be reversed eventually as a result of the reasoning in last week's ruling, though the Supreme Court has just refused to interfere in the slow and expensive progress of their cases through the courts of Mississippi.

The biggest mass arrests of the present protest movement took place last week in Louisiana and Georgia. In Albany, Georgia, about 500 Negroes were arrested when they paraded in the streets and prayed before the City Hall as a protest against the arrest of eleven freedom riders who were testing the new federal order against racial segregation in transport. Among those seized was Dr Luther King, the very symbol of non-violent resistance. Under an agreement reached this week, all are to be released for Christmas and they may not be brought to trial at all if the Negroes continue to refrain from further mass demonstrations. In Baton Rouge, Louisiana, the Congress of Racial Equality is under temporary restraining orders from both federal and state courts not to organise any more demonstrations such as those it led last week to protest against the gaoling of Negroes who picketed shops or "sat-in" at lunch counters. About 75 Negroes have been arrested, most of them students from near-by Southern University, the largest all-Negro institution in the country. This week CORE transferred its attentions to New Orleans.

Incentives for Shelters

The Administration has got round at last to the second stage of its civil defence programme, which aims mainly at providing shelter against radioactive fall-out; this would spread after a nuclear attack over large areas of the country which had not been damaged by the bombs. Protection against the explosives themselves is still not considered feasible on any large scale. Nor is there any hope of avoiding terrible casualties should there be an attack, but this, the Administration insists, is very unlikely at present. Last summer's programme, which has been speeded up and should now be completed by the end of 1962, was for surveying and strengthening suitable shelter space in existing buildings, estimated to be enough for 50 million persons, and for stocking them with "survival biscuits" made of bulgar, a specially treated wheatmeal, water, first-aid kits and radiation meters. The second stage is to be the building of community shelters for another 20 million persons, chiefly in schools and hospitals which, as the Administration points out, are normally found in the residential centres where protection is needed most.

The Administration acknowledges that many people may still want their own family shelters. It is taking steps to see that they are not misled into buying unsatisfactory ones by false advertising claims, and its long-awaited booklet on how to build cheap ones is finally coming with the new year. But the latest policy recognises, as many commentators have been maintaining all along, that community shelters are preferable, largely because people are better able as a group than as individuals both to face a nuclear attack and to rebuild society afterwards. Moreover, large shelters can be used meanwhile for communal purposes, as gymnasia in schools, for example.

Under the new Federal Shelter Incentive Programme financial help will be available for building any communal shelter that meets approved standards (10 square feet each for at least 50 people), that will be open to the public in an emergency and that is the responsibility of some public or private non-profit organisation. Owners of shops, factories and other commercial undertakings are expected to pay for their own shelters. Congress is to be asked for about $700 million for this programme next year. If this sum is forthcoming the federal government expects to cover about five-eighths of the cost of these communal shelters. The rest will have to come mainly from the state and local governments which have always been supposed to share the responsibility for civil defence, but which have seldom shown much enthusiasm for it, particularly when spending was involved. Whether the necessary money will be found is the most obvious question about what is certainly a commonsense scheme that should counter much of the immediate criticism which has collected round fall-out shelters. But even now there will be protection for only a little over a third of the population. And the longer-term practical and moral questions, about whether such shelters are worth anything at all, or are worse than nothing, still remain.

THE WORLD OVERSEAS

The Congo and Its Needs

FROM OUR SPECIAL CORRESPONDENT LATELY IN LEOPOLDVILLE

The Adoula-Tshombe meeting at Kitona, at the mouth of the Congo river, is an achievement for the United Nations, which has fought hard for it during 1961. Not a few leading Congolese in Leopoldville had felt sympathy for Mr Tshombe after his ill-treatment at Coquilhatville in the spring. But his failure to turn up at the Lovanium conference in August caused great ill-feeling among them. People who had regarded separatism as permissible under the Lumumba regime resented it bitterly when Mr Tshombe boycotted this month-long get-together of *toutes les familles spirituelles du Congo*. His refusal put him in the impossible position of appearing as the only secessionist. In fact, however, Mr Tshombe has never rejected or insulted Mr Adoula in the way that Mr Gizenga has done in recent months.

If one may assume that the Kitona conference will produce some kind of agreement, it is still necessary to take a cold look at the finances and discipline of the Congo as a whole. The loss of Katanga cost the Leopoldville government half the country's exports. This meant a threat to the currency, which has, however, been staved off by a number of curious factors, in particular the slowness of African economic psychology to anticipate the loss of value of bank-notes. But in the short run the return of a share of Katangan taxation revenue to the central government will not alter Leopoldville's financial position for 1962 as much as people tend to suppose. The Leopoldville deficit is currently estimated at 9 billion Congolese francs, or some $150 million at the official rate of exchange. There are only two ways of bridging the gulf—by direct foreign subventions and by the internal method of advances to the government by the Central Bank against treasury bills. The latter course would be likely to cause a galloping inflation, some of which is already forecast for January.

The authority of the central government must somehow be strengthened during the coming year. As things are, it is not really a government at all, but a façade, chiefly distinguished by its numbers and its lack of impact on practical problems. The prime minister, Mr Cyrille Adoula, like President Kasavubu, is a moderate who wishes recovery, stability and good relations with the western and, indeed, all countries. He is, however, powerless to stabilise anything until a more austere regime can be "sold" to the countless politicians and civil servants who are now disporting themselves as the successors to the Belgian way of life. It is not at all certain that Mr Adoula will be able to reduce the expenses of government materially. In the case of the army he certainly cannot do so unless he can first induce it to expend most of its ammunition on manœuvres. At present army pay swallows up nearly all the revenue which the central government disposes of from Congolese sources. Excluding Katangans, there are some 25,000 under arms, owing allegiance either to General Mobutu or General Lundula. This figure compares with an army of less than 10,000 in Nigeria. No African country, not even the Congo, can begin to afford this kind of military expenditure.

During 1961, when there was no budget, west Germany gave $3 million direct to the central government. The treasury has otherwise been supplied with foreign exchange by the United States, which contributed some $30 million. (Part of this sum was tied to imports from the United States.) The rest of the American

and British financing went to pay for the United Nations operation, both military and civil. Apart from the United Nations, what is needed now is about $300 million of foreign aid spread over the next two years.

According to the UN economic specialists there is little hope that the aid will arrive, and therefore that the activities of the central government can be extended, unless the European powers themselves can agree upon a united policy of aid to the Congo. The Congo should qualify for support from the common market fund for overseas territories. But its chances of aid from this source are poor so long as France opposes the Leopoldville government (and the United Nations), Belgium remains bitter about the treatment of Katanga by the UN and of itself as a discredited ex-colonial power, and Britain abjectly dithers. Only the United States is at present convinced of its vital interest in supporting the Congo.

Can several tens of thousands of Belgians return, or come, to the Congo? There is little doubt that they could be recruited in Belgium if they and their families could live in reasonable personal security in the Congo. Events such as took place at Luluabourg a month ago, and the conditions in Orientale province, are still discouraging. But already young Belgians are arriving, for instance, at Lovanium university. Without the Belgians the outlook is fairly desperate; there are virtually no other French-speaking accountants, engineers, and so on available. The Congolese newspapers still carry anti-Belgian articles, and the heirs of Lumumba profess to believe that all Catholic priests are Belgian spies. But it seems that other sections of opinion are in favour of a restoration of diplomatic relations with Belgium, a financial agreement on the apportionment of the public debt between the two countries and other matters, and the return of Belgian personnel.

Any discussion of the Congo is apt to lose itself in the hopeless attempt to apply European political and organisational concepts. Thus, too much has been made of the existence of Mr Adoula's coalition government as a step towards stability. Its creation was an advance, but certainly only a small one. An article last week stressed the Gizengist opposition within and without the government, and there is little reason to suppose that any acts of Mr Adoula's will assuage it. Personal rivalries between ministers and high officials sometimes go to farcical lengths. Last week an enterprising Belgian brought over a cargo of beer from Brazzaville across the Congo to Leopoldville, and virtuously declared it to the customs. The *douaniers* rang up their chief, Mr Nendaka, ɔead of the *Sureté*, and asked him what they should do with the ɔeer. He magnanimously said: "drink it!" This the *douaniers* did. The Belgian importer then complained to the minister of the interior, Mr Gbenye. The latter, an enemy of Mr Nendaka, summoned and sacked him. But this was not the end of the story. Mr Nendaka himself called for his own gendarmes and ordered them to arrest the minister of the interior. A straight fight was only prevented by the intervention of the prime minister himself.

It is impossible to look ahead very far beyond some kind of Katangan reintegration and subsequent changes in the constitution which could bring about roughly the right number of provinces under the principle of "provincial self-determination." (This would certainly mean the installation of a *parti unique* in most of them.) If these measures could be arrived at, the disputes involving foreign countries would presumably subside and the latter could, to serve their own interests if not the Congo's, unite to give the aid required. The Congo will repay patient handling.

German Year for Nato

FROM OUR PARIS CORRESPONDENT

The annual diplomatic convention in Paris dispersed on December 15th leaving behind, as usual, a trail of question marks. The western negotiating position over Berlin is not much clearer than it was before the meeting. The awkward question of Nato's own nuclear deterrent was raised but left unanswered. Nato's official spokesmen, as is their job, proclaimed that tiny differences had been magnified by journalistic fancy and that, in fact, the consultations among the allies had been smooth and friendly. Coming, as they did, after three hours of painful negotiation over a communiqué, such assurances were bound to be greeted with some scepticism.

The battle in the drafting room, on the final day of the meeting, was really about a single paragraph. The French refused to agree that the purpose of the probe in Moscow was to achieve a negotiated settlement. Faced with this French allergy to negotiation, the draftsmen finally evolved a complicated compromise formula. The communiqué stated that the countries most directly concerned (the four principal western powers) reported their "intention to resume diplomatic contacts with the Soviet Union . . . in the hope that these contacts might serve to determine whether a basis for negotiation could be found." The hope that "a negotiated settlement could be achieved" is not attributed to the four but to their colleagues of the Nato council.

These subtleties will hardly impress the layman. And how will the negotiators interpret their byzantine instructions? There are two schools of thought about this. One argues that the Americans needed only a polite blessing from their partners. Mr Thompson, their ambassador in Moscow, assisted by Sir Frank Roberts, should now be able to proceed in earnest and, if Mr Khrushchev shows goodwill, pave the way for a summit for four or for two. The other school maintains that it is the Germans who have come best out of the recent confused phase. They have acted as matchmakers between the intransigent French and the more flexible Anglo-Saxons. In exchange, it is argued, they have obtained a virtual veto over the western negotiating position. The next few weeks should show which interpretation is correct.

The Germans also played a key part in Nato's brief defence debate. It was no accident that Herr Strauss's speech was eagerly awaited. The German defence minister not only asked that tactical nuclear weapons should be moved forward into advanced Nato areas. He also demanded that prompt action should be taken to provide Nato with its own medium-range nuclear deterrent.

The idea of turning Nato into the fourth (or fifth?) nuclear power is not new. General Norstad suggested it in December, 1959. His main preoccupation is with getting missiles to replace strategic aircraft as these become obsolete. The American government has also been toying with the idea, partly to overcome the diplomatic difficulty of supplying nuclear arms to Germany, and partly in order to share the defence burden with its enriched European partners. In Europe, the sputniks made the scheme fashionable. The fact that the United States was now vulnerable made its deterrent, or rather its willingness to use it for European interests, less credible. But, while Britain and France reacted to this new situation by building up their national deterrents, west Germany saw in the Nato scheme a useful means to German ends.

In practical terms, the first concrete proposal was made a year ago, when the Eisenhower administration offered to provide Nato, against payment, with 100 medium-range Polaris missiles. But when the cost was spelt out only the Germans showed any interest. Moreover, the Kennedy Administration had meanwhile taken over and, at least at first, showed little enthusiasm for the plan. On May 17th, however, in Ottawa, President Kennedy revived the prospect of a Nato deterrent, "multilaterally owned and controlled," if certain conditions were satisfied. He said that to begin with the United States could assign at least five Polaris submarines to the Nato command area.

Not all the military experts dealing with this problem at Nato are convinced that the deterrent should be based on submarines. The champions of a land-based force argue that this would be both cheaper and more accurate. The advocates of a sea-based deterrent reply that it will be less vulnerable and, politically, less explosive. There is no hiding the fact that one of the purposes of the scheme is to bring Germany into the nuclear club without too much diplomatic fuss.

How such a multilateral scheme would work is not yet very clear. Mr Stikker, the secretary-general of Nato, suggested last month that the "decision on the use of nuclear weapons could be taken. . . . by a majority of weighted votes." Proposals have even been made to arrange voting strength in such a way that no single country, not even the United States, would have the right of veto. But will the votes be weighted on the basis of the financial contribution? If Britain and France decide that they cannot afford such additional expenditure, on top of their own plans, the Nato cloak will wear too thin over this German-American scheme to be diplomatically effective.

Last week Herr Strauss's offensive was slowed down. Mr Watkinson argued that Nato must first decide its strategy before getting down to such matters. The French, reluctant to hurt their German partners, raised technical, political and financial objections. Mr McNamara repeated the Kennedy offer and claimed that it was now up to the Europeans to agree about finance and control. It was finally decided that the permanent council should deal with the matter. But the Germans are unlikely to leave it in cold storage. More will be heard of the subject when the ministers of defence meet in March and when the Nato ministerial council holds its April session in Athens.

The fact that Germany now lies at the heart of all western decisions illustrates the changing pattern of power. Soviet missile advances have altered the world's nuclear balance. Less spectacularly and less dramatically, the industrial and financial recovery of the Continent has been changing the balance within the western world. General de Gaulle, with his flair for the theatrical gesture, has occupied the centre of this shifting stage. The Germans—who are now the best customers of the United States for weapons—chose to act in the background, confident that a leading role will come their way in time. If no rapid progress is made with the Russians about Germany, opening up prospects of a disarmament deal, the world will have to put up with the political and military consequences of the German come-back. 1962 will be a German year for Nato in more senses than one.

A Man of the People

FROM OUR CORRESPONDENT IN VIENNA

Vienna is in an uproar. A civil defence scandal? No. Coalition crumbling? Not particularly. But the Viennese have been forced to look themselves, personally, corporately, historically, in the face, and the exercise has left them gasping.

The vision appeared to them on television in the shape, in so far as he has one, of a certain "Herr Karl." Helmut Qualtinger, alias "Herr Karl," and his text collaborator, Carl Merz, form the most remarkable cabaret team that has been known here for a generation. Grotesquely fat, ponderous, guilelessly beaming, Herr Qualtinger gives off a steady stream of quiet, abrasive comment in cabaret, on records and in the form of dialect street-corner conversations in a newspaper column. Usually, he is satirising—someone else. "Them." Rich, spoilt young men, the Town Hall, beatniks, Alma Mahler-Werfel (a little jewel of parody thrown off in a programme sheet). Now he has gone the whole hog and torn the last shreds of smug *Gemütlichkeit* from the backs of the working class.

"I'm all right Jack" is nothing to this. "Herr Karl" sits at a table and, beer-swilling, tells the story of his life. What a hard life it has been: picking up five shillings demonstrating for the Heimwehr, five shillings demonstrating for the Nazis; only thing was, it was cosy, somehow, seeing the same old familiar faces time after time. . . . Fiddling, scrounging, living on women, opening car doors for the Russians, cuddling up to the Americans, cheering outside the Belvedere when the State Treaty was signed, keeping up his party book: looking back on it all "Herr Karl" feels that, in the face of great odds, on the whole he has managed to look after Number One. A man of the people, he has done his duty: whatever the call of the moment, he gave forth an echo clear and true.

This monologue (it can be heard on a LP recording) is extraordinarily well done: a terrible indictment and appallingly funny. Here, though it can hardly be called funny, is "Herr Karl" musing on the fate of his one-time neighbour, Herr Tannenbaum, who was hounded out in humiliating circumstances in 1938 ("Herr Karl" giggles reminiscently), and who has recently returned. "'Compliments, Herr Tannenbaum' I sez. . . . He doesn't turn round. 'Compliments, Herr Tannenbaum!' On 'e goes, doesn't turn round. I sez to meself: 'See, *now e's cross*. . . .'"

Television and press have been showered with comment, and the report from newspaper offices is that, to the great credit of the Viennese as a whole, the applause has outweighed the abuse. Curiously, the young, in particular a Catholic youth movement, have been loudest in their protests—and quite devoid of perception and humour. Great numbers of middle-aged people, who, after all, are the object of the satire, have written to congratulate Helmut Qualtinger and the Austrian television on their courage. "'Herr Karl'," wrote one man, "is an imaginary figure. But there is something of him in many of us."

Mr Khrushchev's Accounts

Last October, when he presented the twenty years' economic plan to the Soviet party congress, Mr Khrushchev was able to paint for his audience an exciting picture of a rosy future. On December 6th his minister of finance and his chief planners had the more prosaic task of outlining next year's programme before the Supreme Soviet. Yet, even in the twenty year programme, provision was made for the possibility that international tension might slow down the rate of progress; and it is the burden resulting from the Berlin crisis that has now to be taken into account.

There is little change on the revenue side of the budget presented by Mr Garbuzov. Actual revenue in the current year, at 78.3 billion roubles, fell slightly short of the planned figure. It is expected to bring in 81.9 billion roubles in 1962. The main sources of revenue are unchanged. The turnover and profits taxes remain the chief money spinners. But the pattern of expenditure has been altered by the renewed emphasis on defence.

SOVIET BUDGETARY EXPENDITURE

	1961 (Estimates)		1962	
	(Billion roubles)	Per cent	(Billion roubles)	Per cent
Grants to national economy	33·9	43·7	32·4	40·3
Social and cultural services	27·1	34·9	28·7	35·7
Defence	9·3	12·0	13·4	16·7
Administration	1·1	1·4	1·1	1·4
Other	6·2	8·0	4·8	6·0
Total	77·6	100·0	80·3	100·0

Actual expenditure in the current year fell nearly one billion roubles short of the estimates. At the same time, the defence estimates were raised, in mid-year, to 13.4 billion roubles. Mr Garbuzov did not reveal how the other items were affected by this shift, but a guess can be made on the basis of the plans for next year. Since Soviet expenditure on the social services (on education, insurance and health—in that order) is rising, grants to the national economy are the main victim of the switch to defence. In fact, budgetary grants to the national economy are scheduled to decline in absolute as well as in relative terms.

The effect of this shift on Soviet economic growth should not be exaggerated. Mr Novikov, the chief planner, claimed that gross industrial output rose by 9.3 per cent during the current year. This is slower than in previous years, but slightly higher than planned. In 1962, gross industrial output is scheduled to increase by 8.1 per cent, with heavy industry advancing by 8.8 per cent and light industry expanding by 7.4 per cent. The targets for basic materials are still ambitious. Next year, the Soviet Union should produce some 77 million tons of steel, 180 million tons of crude oil, and 366 billion kWh of electricity.

On the consumer front, the situation is less clear. Investments in light industry are, apparently, to be stepped up substantially. Recent achievements, however, and the immediate prospects are not very impressive. Last year, the Russians had to put up with shortages of food, particularly of meat. The housing drive did not come up to expectation and the target for next year—96 million square metres of floor space—is exactly the same as for 1961. As regards durable consumer goods, recently published statistics show how hungry the Russian market is for them. If every second Soviet family, last year, owned a wireless set, only one household in ten had a television. If many people had a watch and a sewing machine, only five families out of a hundred had a washing machine and less than four out of a hundred owned a refrigerator. These figures not only reveal the gap still separating Russian from American standards. They also show that the promise of a big and rapid rise in production for the consumer—made by Mr Malenkov and Mr Mikoyan as far back as 1953—has never quite been fulfilled. That pledge rested on the unfulfilled premiss that there would be less international tension.

Although the arms race and its intensification raise problems for the Russian planners, this does not mean that Mr Khrushchev will now be driven to abandon his objectives in Berlin and seek an agreement on western terms. A country as powerful as the Soviet Union, and with an economy growing as fast as the Soviet economy is doing, can take rearmament in its stride and still spare something for improving standards of living. At the same time, whenever the Soviet army quickens step the life of ordinary Russians is affected. This is one of the reasons why Mr Khrushchev's policy of co-existence is more popular than the Chinese calls for vigilance. But to remain popular, it must be successful. Mr Khrushchev's recent bomb rattling may be regarded as an answer to criticisms, voiced through China's Albanian proxy, that he has got for Russia the worst of both worlds.

Apartheid Agonistes

FROM A CORRESPONDENT IN SOUTH AFRICA

AT Joan of Arc's trial one of her judges is said to have cried: "Joan, we are trying to save you." In Pretoria one of the 15 judges in the heresy trial which began on October 24th, said: "My heart will break if I have to find him guilty." Unlike Joan, however, Albert Stephanus Geyser, Professor of New Testament theology in the Nederduits Hervormde Kerk, will probably not be burnt at the stake. The Hervormde Kerk is one of the three powerful, pro-*apartheid* Dutch Reformed Churches in South Africa. Dr Geyser is accused of heresy by three of his students at Pretoria University. The trial, by an ecclesiastical court, is meant to be secret, but it is known that one of the charges against Dr Geyser concerns his opinion, fearlessly expressed, that *apartheid* is not compatible with Christ's teaching. His church prohibits criticism of its laws, one of which bars non-whites from membership.

Some of the other charges are that he taught the heretical tenets of Arianism (Arius of Alexandria in the fourth century denied the consubstantiality of Christ, and said that the Son Christ was inferior to the Father); that he tried to create "a visible unity" between the Hervormde Kerk and the Anglican Church and the Roman Catholic Church, which have been critical of *apartheid*; that he held that the Anglican Book of Common Prayer was one of the best examples of Protestantism; and that he said the Anglican Church could take the lead in a world unitarian movement.

Many features of the trial are distressing. Dr Geyser has been denied the services of a stenographer. He has not been allowed to use his own tape recorder. His request that the trial should be held in public has, like all his requests so far, been rudely brushed aside. The republic's press has made a meal of it all. Comparisons have been made with the Scopes "Monkey Trial" in Tennessee in the mid nineteen-twenties when a school teacher was put on trial for teaching Darwin, with Old Salem, with Galileo and, of course, with Joan of Arc. Newspapers have pub-

lished details of accusations, counter-accusations and angry denials. These have been "leaked" by pro- and anti-Geyser men in court. The proceedings have partly degenerated into an undignified slanging match: one of the judges, Professor S. P. Engelbrecht, shouted at reporters: "You write lies. I am ashamed of you. It is lies—all lies," and, "If you want to see animals, go to the Zoo." It was Dr Engelbrecht who said his heart would break if Professor Geyser was found guilty.

Naturally the trial has aroused interest in Holland, where newspapers have described Dr Geyser as a "victim of *apartheid*." A telegram of protest was sent by the Dutch Reformed Church in Holland, which has links with the Dutch Reformed churches in South Africa. The Rev F. H. Landsman, secretary of the general synod of the Dutch Reformed Church in Holland, said that "*apartheid* is not to be defended with the Holy Gospel." He added that Christians ought to be in the forefront of the fight for racial equality. This has angered Afrikaners, especially since it follows Holland's strong stand against *apartheid* in the United Nations. Nationalist cabinet ministers and newspapers have retaliated by accusing the Dutch of stabbing the Afrikaner in the back.

Professor Geyser has long been a thorn in the side of Afrikaner nationalism; this people believe, is why he has been charged. He contributed a chapter to the book, "Delayed Action," in which certain Afrikaans intellectuals, who had previously supported the government, condemned race discrimination and suggested that *apartheid* could not be defended by saying that it complied with Christian principles. But, perhaps, Professor Geyser's greatest crime was his suggestion that the Afrikaner Broederbond, a secret society of Afrikaner nationalists which is said to include members of the cabinet and leaders of the Dutch Reformed Church, was as dangerous as the Mau Mau movement had been in Kenya. It is alleged that the heresy charges against Dr Geyser were inspired from above, possibly by Dr Verwoerd's ministers.

More generally, indeed, the inclination to regiment ideas and their expression is now spreading rapidly. Those who question *apartheid* on any grounds (including Christian theology) are being directly attacked as a danger to the white man's future. Since Dr Verwoerd's triumph in the elections of October 18th, the state-controlled broadcasting service has been openly transformed into a weapon of the government; one broadcast attacked ex-chief Albert Luthuli, who was awarded the Nobel Peace Prize for 1960. Other broadcasts have implied that the "humanism" of the Progressive party is "a very serious threat to the whole nation." Moreover, the minister of the interior, Senator Jan de Klerk, has called on public servants to serve the state rather than the public. This has prompted the Opposition to suggest that Mr de Klerk, who like other Nationalists was partial to the cause of the Nazis during the second world war, is planning to introduce Nazi methods into the civil service. They may mix well with the medieval performance at Pretoria.

How Many Fiestas?

FROM OUR CORRESPONDENT IN BARCELONA

TO the visitor to Spain the word *fiesta* has two very distinct meanings. It stands for processions, colour, music, dancing, and vivid street life. It recalls the days when he unexpectedly found he could not cash a cheque, see his travel agent or do a bit of shopping because it was a *dia festivo* or public holiday.

The life of Spain is dominated by fiestas. By no means all of them are public holidays, but a great many are—on the average the public holidays, or *dias festivos*, work out at nearly two a month. When one has lived in Spain a little and become used to the system one sees its value to the morale of the working Spaniard; but to foreigners it is, of course, all part of the joke about *mañana*, and many Spaniards themselves are quite as critical as foreigners of this loss of working time. Attempts to reduce the number of holidays date back to the Republic. The Republic, however, being anti-clerical, concentrated its attack on the religious fiestas, and the Franco regime, a close ally of the Church, restored them all and even added new ones. All the same, an effort was made, by government orders in 1957-8, to prune the luxuriant growth; but it has only been partially successful. A loophole was left for exceptions in the case of religious feasts "approved by the government," and a number of those that were to have been abolished have survived, generally or locally, with government approval or connivance.

As things are, there are three sorts of holiday. There are the national holidays, both religious and political. The religious ones include Christmas, New Year's Day and Epiphany, Easter, Ascension, Corpus Christi and so on. The political ones are July 18th (the anniversary of the Franco rising of 1936) and October 12th (the "Day of the Race"—for the discovery of America). The May Day holiday has been restored, but as a religious fiesta, for San José Artesano. Then there are the local holidays celebrated all over the country by cities, towns and villages in honour of the patron saint of each, and called their *fiestas mayores*. Madrid has San Isidro Labrador; Barcelona the Virgen de la Merced (Our Lady of Grace); Valencia the Virgen de los Desamparados (Our Lady of the Defenceless). In Madrid and Barcelona, although there is only one day's official holiday, the celebrations—street processions, special theatrical performances, mass dancing, choirs, sporting events and bullfights—go on for nearly a fortnight. In Seville there is so much excitement over the saints' days of the districts, the whole city moving from one district to another to watch the celebrations, that there is little energy left for municipal *fiestas mayores*—the Seville celebrations of the year are Holy Week and the fair that follows it. Pamplona, of course, has the day of San Firmin, when the bulls are run through the streets.

Thirdly, in addition to the national and local holidays, there are those of the *gremios* or guilds. The old-established guilds of masters and men in a particular trade each had their patron saint and celebrated his feast day; but the tradition had been fading and the government orders of 1957-8 did away officially with the holidays, moving the celebrations to the Sunday following the day. Despite the orders, however, a number of trades still take their traditional holiday, including the building trade, for St Anthony, and the bakers for San Honorato. Those shops and offices that celebrate do not hesitate to put up notices in advance.

Some of the national fiestas are named *fiestas recuperables*, meaning that workers can take the holiday but must make good the cost, which they generally do by working an extra hour every day of the following week. In Barcelona, however, Boxing Day and Easter Monday, *recuperable* in the rest of Spain, are free holidays; in addition there is a midsummer holiday for St John the Baptist, June 24th. In fact the Catalans, notorious in Spain for their devotion to work, have more public holidays than anyone else. The central authority has here bowed to strong local traditions. The Feast of St John is one of the greatest days of the year in Catalonia (as also in Valencia) and the whole week, from St John's Eve, with its bonfires and fireworks, to the Feast of St Peter and St Paul on June 29th, is one of jubilation and disturbed nights.

Above all a public holiday means a picnic. Those who have friends or relations in the country go out and spend the night or weekend with them; the trains are crowded with working-class families carrying enormous bundles done up in check cloths—they take not only their food, but also complete kitchen equipment, "paella" pans and so on. The middle class go out to their villas or *casitas*; the little place in the country is a more widespread luxury in Spain than in England. But most of the holidays of the year are religious, and this is strongly felt, particularly at such times as Holy Week, when day after day people crowd silently into the churches; Christmas Eve, when there is a market of Christmas trees and Nativity figures outside the cathedrals; All Souls, when families troop out to the cemeteries; or Corpus Christi, when, in the country towns, the streets are covered with a carpet of flower-petals and the inhabitants of each street work furiously all day collecting flowers and setting them in elaborate designs.

Some of the fiestas that are celebrated with most enthusiasm are not holidays at all, namely the *fiestas mayores* of the *barrios* or districts of the towns. The inhabitants of these districts organise and enjoy the fiestas in their spare time, and mostly at their own expense, and vie with one another in making a show. May in Cordoba sees the warm nights enlivened with guitar music and traditional dances in one little square after another, and the walls and courtyards decorated competitively with potted flowers, Andalusian fashion. In Madrid, apart from a few traditional ones in the early summer, they are mostly celebrated in the slum quarters during August. In Barcelona almost all the older districts hold them in the weeks before, during and after the September celebrations of the Merced, leading off with the best known, that of the Gracia district. The streets are decorated with flags, paper and lights; a band plays on the pavement; dancing is in the street or in marquees set up in the squares. There are theatrical performances, concerts, races, competitions, and so on. The Spaniard's love of improvising, his sense of tradition, and his feeling for the tempo of life are all brought into play in the fiesta. No wonder tact, rather than firmness, marks the government's dealings with it.

THE BUSINESS WORLD

Man-Made Monopoly

It was an odd kind of leak last Monday that forced out of the directors of Courtaulds the cool statement that they were "considering their advice to stockholders in the light of the premature announcement of their discussions with ICI" and led Mr Paul Chambers to call a hurried press conference on the "final, final terms" of his intended take-over of Courtaulds. Here is the biggest bid in British industrial history, worth approximately £180 million, disclosed without ceremony or even dignity. All the comings and goings in the last four months—deputy chairmen by the back door—became public knowledge without decent introduction. Out of the confusion the terms at least are clear: three ICI ordinaries for four Courtaulds ordinaries and take it or leave it.

Courtaulds stockholders will presumably take it; at any rate the prospect of ICI being forced higher, by Du Pont or anyone else, looks remote enough, even though ICI's terms will be lying on the table for six weeks until the formal offer can be made. So, in a different sense, ICI stockholders are taking it: their ordinary shares have fallen by 1s. 6d. to 57s. 3d., while Courtaulds have jumped 10s. to 40s. ICI's bid, which puts a value of 43s. on Courtaulds, is generous enough against recent prices, though it is almost £1 below Courtaulds' 1960 peak. After "four months of friendly discussion," Courtaulds' directors can hardly fight for the rejection of ICI's offer and the continued independence of the company. (Having just reduced the interim dividend, they cannot even use the mischievous counter ploy of raising the dividend.) Are the terms generous to Courtaulds? There is plenty of room for argument here, comparing the past records and present finances of the two groups. The really relevant question is what kind of performance Courtaulds might be expected to put up by itself in the next five years, say, and whether this expectation is likely to be bettered with the benefit of ICI's direction. This involves collaterally the question whether the terms, if they are generous to Courtaulds, may not seem over-generous to ICI stockholders. The latter have been promised a maintained dividend of 13¾ per cent for 1961 and "not less" for 1962; on the basis of the latest full year's figures and on the consolidation of the profits of British Nylon Spinners, their equity is not diluted.

But this is mainly backward-looking. While the stock market has long been willing—perhaps too willing—to tag ICI as a growth stock, it has never labelled Courtaulds so—indeed, it has received the recent moves of Courtaulds to diversify its interests with some disdain. Courtaulds has paid notably high prices for some of its acquisitions, including British Celanese in 1957 and Pinchin Johnson in 1960. In other words, some of the assets that ICI is preparing to take over have not so far proved handsome payers in Courtaulds' hands and although the latter's assets, unlike ICI's, have not been revalued since 1938-39, an outside bidder might not be prepared to pay much more than book values for some of them. These differing balance sheet values make talk about a £900 million business rather a rough shot. But Courtaulds would immediately bring in over £20 million in cash and gilt-edged securities (equivalent to about 5s. per Courtaulds share) and this is not an indifferent sum to ICI which raised close to £100 million from the stock market in a decade when Courtaulds raised none.

Courtaulds is said to be the largest producer of man-made fibres in the world; ICI already the second largest chemical group in the world after Du Pont (it has substantially higher assets than Union Carbide, though in 1960 it had an only slightly larger turnover and a significantly lower net profit). Together, ICI and Courtaulds would be little smaller than Du Pont in total assets, by book value. Courtaulds (whose name ICI would retain) would presumably take in all the fibres interests of the combined group. Its interests outside fibres—30 per cent of its assets, producing about 50 per cent of its profits in 1960-61, which was a bad year for textiles—would add substantially to ICI's capacity for sulphuric acid, carbon disulphide, and plastics film, and give the new group about a quarter share of the British paint market. But Mr Chambers made no bones about the motive for the merger: it is to strengthen command of the British manufacture of fibres.

ICI made the first approach to Courtaulds some time in September. What induced it to take such an initiative at that point? It already holds the expiring "Terylene" patent in this country. It has a predominant stake in nylon manufacture. It has introduced "Ulstron" to this country, which should compete in several uses with "Terylene" and nylon. Perhaps 80 per cent of Courtaulds' fibre output now consists of rayon, either acetate or viscose. Its "Courtelle" is one of several acrylic fibres whose production is being rapidly expanded in this country (others are "Orlon" from Du Pont in Ulster and "Acrilan" by US Monsanto). Courtaulds' half share in British Nylon Spinners gives it, on Mr Chambers's reckoning, less than an eighth of the total capital invested in the production of this material in Britain.

Since 1950, synthetic fibres appear to have expanded at least tenfold throughout the world; expansion in rayon has not been negligible, but not much more than 60 per cent. ICI puts the growth in all man-made fibres at 10 per cent a year and expects within that total an expansion in the already large production of rayon by 5 per cent. The recent facts, as distinct from the forward estimates, are that Courtaulds, with widely spread rayon interests throughout the world, has been caught by a slump in this sector of the trade which it had evidently foreseen but had been unable to avoid.

COURTAULDS itself would sooner or later have been compelled to come to grips with ICI along the whole range of man-made fibres, as patents lapsed and new fibres came along. The two groups, sharing nylon production in this country, had not established a principle capable of extension to every new product. The raw material used in making nylon yarn involves greater capital expenditure than its processing ; it is ICI that has controlled the production of that material and keeps a half share in its spinning. Both decided to go it alone in introducing nylon 6 to this country (it has slightly different properties from nylon 66) ; Courtaulds took up an Italian process, but ICI adopted a Swiss patent.

This departure occurred before ICI embarked on its *pourparlers*. At about the same time, a consolidation of the French synthetic fibre industry was being engineered by Rhone-Poulenc, taking over the fibre interests of Celtex and Pechiney. The advantages claimed for this merger have been echoed by Mr Chambers ; he regards Rhone-Poulenc and Du Pont of America as two groups possessing the "tremendous advantage" of producing a whole range of man-made fibres. It might be remembered, however, that Du Pont, unlike the French group or an ICI-Courtaulds group, has several powerful domestic competitors.

Since a merger with Courtaulds would make ICI's interest in fibres larger than those of Rhone-Poulenc, Mr Chambers hopes that it could hold its own in the European common market. In fact, as he insisted, in an enlarged common market ICI would not be the virtual monopolist in these fibres that it is seeking to become in this country. In rayon, west Germany is a larger producer than Britain, and France will not be far behind. Output of the newer fibres in France and Germany last year was not far short of Britain's. Italy has a substantial production, and has made impressive strides, developing new raw materials and techniques. In a wider field, Japan is a far larger producer of man-made fibres of all types than Britain, and other Asian countries will undoubtedly follow this lead. And over recent years British exports of man-made fibres have not made a good showing against those of other big producers. The stated intention is to concentrate on the expensive end of the textile market, with a particular drive to win back leeway lost in Europe ; but at the same time ICI will have to absorb huge rayon interests that are not everywhere holding their own against cheap Asian cottons.

No doubt real economies should be possible in research and development, which now cost about £3½ million a year for the industry. Man-made fibres have always been characterised by over-optimism about demand, and the excitement of being first with a new fibre has brought about too rapid investment. Too many new fibres have been appearing too quickly to allow the textile industries and other users a reasonable chance to assess their potential. As for rayon, it would have been strange if Mr Chambers had not been able to claim that Courtaulds is among the most efficient producers. The recent wave of closures and redundancies in the rayon industry will not be repeated when Courtaulds joins ICI: it is evidently not on this side that further economies can be expected.

SIZEABLE questions of public policy are raised by this take-over bid, which is of an order that would inevitably be banned within the United States. Mr Chambers, who has in the past shown limited sympathy with legislation against restrictive practices or monopoly in business, scouts the question of monopoly within Britain as a result of this merger, citing potential competition from other large chemicals and fibres groups abroad. Some people in the government also appear to accept this proposition—that because Britain is going into Europe, engrossment of the British market does not matter. There are, certainly, industries in Britain where the companies are demonstrably too small to compete, and in such sectors the national interest might benefit from consolidation into bigness. This is not obviously true in man-made fibres ; and in chemicals it certainly is not. The weaknesses of this country's man-made fibres industry have arisen from technical policy and the quality of management, not from the size of the companies in it ; and the merger might as easily perpetuate these weaknesses as correct them. Moreover, the idea that the assortment of large chemicals-cum-fibres groups inside Europe will in fact act competitively may eventually be turned upside down. The business environment within the common market, indeed, may remain significantly more complaisant towards cartels and monopolies than it has now become here, even though Britain is still far more cautious about them than is the United States.

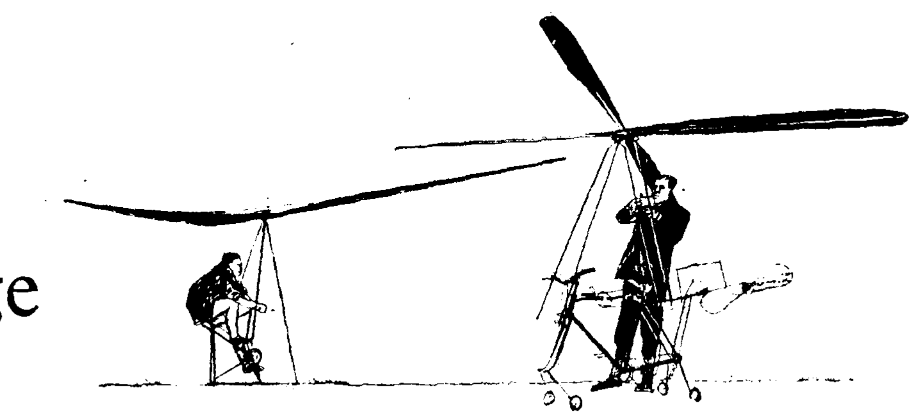
The question is not merely one of principle ; it is also one of capability. Has the top management of ICI, plus whatever it recruits from the younger group within Courtaulds, the capacity to handle anything so big ? Foreign comparisons here are less telling than they might seem. Together, ICI and Courtaulds would have assets and turnover comparable to those of Du Pont ; but they would have twice as many employees. Their labour force, together, comes to about 175,000 ; Du Pont has 88,000, and the largest European chemical-fibres group, Montecatini, has 67,000. And the ultimate strain upon management is numbers of people, not tonnage or money. The performance of the British chemical industry since the war has been impressive compared with some other British industries: when compared with other chemical industries in the world, not quite so impressive as all that. ICI may feel, as it seemed to feel earlier this year, that it has supermen to spare. Courtaulds is clearly short of talent even for running it at its present size. Does adding the two together ensure competence to manage something one and a half times the size of ICI ?

COMPARISON OF GROWTH

	IMPERIAL CHEMICAL INDUSTRIES (Years to December 31)							COURTAULDS (Years to March 31)						
	1951	1955	1956	1957	1958	1959	1960	1952	1956	1957	1958§	1959	1960	1961‡
	£ million							£ million						
Sales	262·7	411·0	435·3	462·9	462·7	508·5	558·4	...	...	...	...	...	139·9	171·9
Gross profit	40·1	53·6	50·1	55·1	44·5	73·1	88·0	19·0	18·2	15·2	13·9	13·5	21·0	18·7
Net equity earnings	16·6	23·0	18·3	21·2	16·7	32·8	38·6	8·3	9·8	7·8	5·7	6·1	10·6	9·2
Ordinary dividend	4·1	8·2	8·2	10·0	10·9	17·4	21·2	1·4	2·8	2·8	2·5	3·1	4·1	4·8
Cash flow	23·6	39·1	38·4	40·4	39·4	54·0	60·2	10·5	10·0	9·6	9·2	9·3	13·5	12·5
Net equity assets	227·5	309·3	329·5	344·0	439·0†	476·5	521·7	68·4	110·3	115·4	122·7	126·3	143·3	149·9
Ordinary capital	60·6	142·0	143·0	144·2	237·0	246·2	251·6	24·0	48·1	48·2	53·3	53·5	58·9	79·0
Net liquid assets	Dr. 6·0	23·5	0·1	14·3	1·8	19·8	14·9	27·3	25·0	19·1	27·1	28·5	32·9	23·0
	Percentages							Percentages						
*Equity earnings**	*21·1*	*21·9*	*18·8*	*20·8*	*15·2*	*25·4*	*28·6*	*24·8*	*26·5*	*21·2*	*14·0*	*14·3*	*24·1*	*19·1*
*Ordinary dividend**	*4·3*	*6·7*	*6·7*	*8·0*	*8·0*	*11·25*	*13·75*	*4·2*	*7·5*	*7·5*	*6·0*	*7·25*	*9·4*	*10·0*
Percentage payout	*25·0*	*35·5*	*44·9*	*47·0*	*65·5*	*53·2*	*54·8*	*17·0*	*28·2*	*35·4*	*42·7*	*51·0*	*38·8*	*52·4*
Gross profit/net equity	*17·6*	*17·3*	*15·2*	*16·0*	*10·1*	*15·3*	*16·9*	*27·8*	*16·5*	*13·1*	*11·3*	*10·7*	*14·7*	*12·5*
Net earnings/net equity	*7·3*	*7·4*	*5·6*	*6·6*	*3·8*	*6·9*	*7·4*	*12·3*	*8·9*	*6·8*	*4·7*	*4·8*	*7·4*	*6·2*

* Adjusted to present capital. † Fixed assets revalued. § British Celanese acquired in June, 1957. ‡ Pinchin Johnson acquired in February, 1960.

The Icarus Urge



MAN'S ancient ambition to fly like a bird under his own power was not, it appears, capable of being realised until aerodynamics had reached the level of refinement required to fly (under power) several times faster than sound and out into space. Icarus never had a sporting chance ; man-powered flight, it turns out, is in line of ascent in the space age. And man himself is to blame. He is a mere fractional horse power motor and a heavy one at that. It takes a skilled aerodynamicist to overcome his miserable power-weight ratio.

The limit to his power output is the rate at which man can breathe oxygen and convert it into energy to produce mechanical work. Muscles themselves could produce much more power than they are required to if their owner could step up his oxygen intake. But in a normal atmosphere, a racing cyclist can produce over a sustained period, say an hour, no more than a steady half-horse power ; and healthy men, 20 to 30 per cent less. The maximum sustained power output that the designer of a man-powered aircraft has at his disposal is half a horse power ; so the wise designer must ensure that his machine can fly with considerably lower power, say a third of one horse power, to have a margin in hand.

There are two ways to raise the aeronaut's power output. One is to give him an oxygen-rich air mixture, which might produce a power boost of up to 30 per cent ; there is nothing in the rules governing the competition for man-powered flight laid down by the Royal Aeronautical Society that prevents this. The second is to give a short sharp power boost calling on the reserves of energy stored in chemical form in the muscles themselves. These chemicals can be converted into energy on call, to give a boost ranging from a peak five horse power for a burst of a few seconds down to one horse power for a minute or three-quarters of one horse power for three minutes. This energy can be summoned whenever a special effort is needed ; it enables runners in a 100 metres sprint sometimes to go without breath at all. But once this energy bank has been called upon it takes time to restore, and the designer of a man-powered aircraft cannot rely on it to provide more than a short boost at take-off. Even this is unreliable because using up stored energy usually causes exhaustion.

With so little power at his disposal, can man fly ? The birds provide no answer. The bigger the bird the more underpowered it is: the biggest one capable of getting into the air is the 32 lb Great Bustard, and man is about eight times that size. Birds, moreover, have a bone and lung structure peculiarly suited to flying, quite unlike human physiognomy, and even now the aerodynamics of their wings are not properly understood. If birdmen are out, the next question is whether a piloted airframe can be designed to fly on half a horsepower. It looks as if it can.

TWO years ago, a group of man-powered flight enthusiasts, including engineers and biologists of repute who had been meeting together for four years, was taken under the wing of the Royal Aeronautical Society which formed a special man-powered flight section to accommodate them. They decided that their technical doodles showed that a man-powered aircraft could be built, and that their theories should be put to the test by constructing such a machine and trying to fly it. The main obstacle, finance, proved unexpectedly easy to overcome. The benefactor with the wand was Mr Henry Kremer, who offered a prize of £5,000 for the first man-powered flight over a mile-long figure-of-eight course (this to prove that the aircraft can manoeuvre and to demonstrate that it is not kept in the air by favourable winds alone). He also gave an additional £2,500 to finance attempts at the prize, and now the man-powered flight group has a fund of more than £5,000 to aid what it regards as promising projects.

Although scores of schemes have been submitted, only three have so far been supported. Up to £1,500 each has been promised to a team at Southampton University and to another formed by aircraft designers at de Havilland's Hatfield factory. A team of engineers working for Tradair at Southend airport has been promised £750. None of the three has so far drawn more than a fraction of the sums allotted and they are unlikely to need to do so. It looks as if a man-powered aircraft could be built, as a spare time hobby job with no charge for labour, for a few hundred pounds at most.

If materials are cheap, the standard of design required is high ; and it is doubtful whether a workable man-powered aircraft could be built single-handed. Any team contemplating such a venture needs a qualified aerodynamicist—the more experienced the better: the Hatfield group numbers some of the key designers of the de Havilland Trident airliner. They cannot do any pre-design testing in wind tunnels, because all available tunnels are too fast. This is unfortunate, since an aircraft with so little power must present the least possible resistance to the air to get off the ground. A man-powered aircraft must be enclosed in a stream-lined fuselage and the slightest break in its smooth lines could cause turbulence and markedly increase the power needed to drive it.

Most designs based on helicopter rotors have to be eliminated. The best helicopters are mechanically inefficient and the little tail rotor that checks the cab from spinning in the opposite direction to the main rotor needs a modicum of power to drive it that might otherwise be doing useful work. Designs based on flapping wings may look more attractive when the principles of bird flight are clearer. But engineers have not succeeded yet in driving mechanical wings even when they have plenty of power ; so it is not likely that a man wildly waving his arms stands much chance of becoming airborne, much less of covering Mr Kremer's mile.

The most promising shape for a man-powered aircraft may be an ultra-light structure with a balsa wood nose and ribs of spruce covered with thin fabric or plastic sheeting—certain plastics can be shrunk into shape over the wooden ribs, giving a smooth, taut structure. The propeller, it is almost universally agreed, would be mounted on the tail to avoid any disturbance of the air flowing over the body of the machine. It would be as big as possible to move the maximum amount of air—theory suggests a diameter of up to 25 feet, though 8 feet seems the largest practicable size. Power would be transmitted to the propeller through a drive geared to the standard mechanism of a racing bicycle. The wing span needs to be exceptionally large to keep the wing loading (the ratio of total weight to the area of wing available to lift it into the air), as low as possible. Wing spans of about 80 ft. are contemplated, and these raise structural problems of wing stiffness.

THERE is room for argument whether a single or twin-engined design is the better bet. A twin-engined aircraft, with two men pedalling furiously inside it, would allow the pilot to concentrate from time to time on the business of steering, knowing that his companion could keep up the power. Although a two-man aircraft would not be twice as big, twice as heavy or have twice the drag (or air resistance) of a one-man machine, it would still be bigger and would need a substantially larger wing span—say 95 feet against 80 feet for a single-engined machine. Exceptionally light wings of this span may prove difficult to build. The team at Southend has designed a two-man aircraft. This type was also favoured by Mr T. R. F. Nonweiler when he set his final-year aerodynamics students at Belfast University to design a man-powered aircraft as part of their exercises. The other two teams sponsored by the Royal Aeronautical Society prefer one engine and the performances of the two types will be interesting to compare. Aircraft with three or more engines, like flying slave galleys, present the designer with impossibly big spans and surfaces and are not in the running, given the present state of this new art.

The aircraft at Southampton and Hatfield have both begun their flight tests and have left the ground even though underpowered by pilot-engines who were not athletes ; the Southend machine will not be assembled until early next year. These preliminary trials show that the points needing most attention are controls and the smoothness of the air flow over the airframe. If these difficulties can be ironed out, and they are relatively minor ones, then a man-powered machine weighing 100 lbs. or less (without the pilot) should be able to fly some feet off the ground at around 20 miles an hour and stay airborne for the six minutes that it would take to cover the prize-winning course and the prescribed laborious turns. As an *hors d'oeuvre*, a £50 prize has just been offered anonymously to the first aircraft to fly half a mile in a straight line.

When Mr Kremer's £5,000 prize has been won, what then ? No one suggests that man-powered flight in its pure form has a commercial future unless an athletic race of commuters rides to work above the traffic jams, adding considerably to London's parking problem. To date, man-powered flight seems to be an exclusively British enterprise. Work done in this country is far ahead of that in the Soviet Union, while man-powered flight groups are unknown in other parts of Europe or in the United States (although a small enclave is believed to exist in Canada). It provides light relief and mental relaxation for engineers who a few years before were content to argue about space and interplanetary travel. It is also an excellent exercise for students and apprentices: the undergraduates at Southampton have produced a design that approaches that of the top boffins at de Havilland. But the suggestion has been whispered that if a one horse power motor were attached to these machines, as if to the rear wheel of a bicycle, the resulting hybrid would make an ideal light aeroplane costing considerably less than a small car. And this might put back a great deal of the prewar fun into the drab business that post-war flying has become.

BUSINESS NOTES

GOVERNMENT RESEARCH

Judgment of the Elders

IT is three and a half years since the Government set up a committee under the chairmanship of the late Sir Claude Gibb to look into the management of Government research projects. Its appointment followed a run of post-mortems on defence equipment that had exceeded estimates by margins too big to be shrugged aside, but it also coincided with a period when the Government was emerging as the principal patron of science in this country—defence and civil, basic and applied. It was and still is spending £300 millions annually on research, more than half of this through contracts placed with industry. The committee was asked to recommend ways of seeing that this money was wisely spent.

If the rules laid down in its report* are followed, then the Government ought not to waste as much scientific effort in the future as it has in the past. Some waste, the committee recognises, is inevitable because research is a chancy business liable to produce as many failures as successes. Good administration lies in knowing when to cut your losses

> and cancel projects even when a great deal of time, money and effort has been devoted to them. In these cases it is always tempting—because cancellations may be thought to argue incompetence—to go on in the hope that the effort already spent will not in the end be wasted. But however much money and effort has been spent on a project, it is not worth spending more unless the development when finished will meet a real need in an effective way.

This paragraph was written about defence spending, but it applies just as much to the kind of civil development contract on which the Government is now embarking for the first time, and to projects in civil aviation as well.

In the committee's view, opportunities must be built into the system for early cancellation once a project shows signs of turning sour ; the device it recommends is to replace the blanket development contract to produce a number of prototypes by a series of short-term contracts, each one carrying the work one stage further against the kind of strict time-table that could not possibly be enforced under the old method. At the end of each stage, a fresh decision would have to be taken whether or not to proceed to the next one and a hard sum calculated for the cost of doing so. Lord Hailsham suggested in the House of Lords that much of this advice had already been put into effect, but observation suggests that the old Adam dies hard.

* The Management and Control of Research and Development. HMSO. 7s.

Men on the Job

THE Government owns a number of its own research establishments, ranging from the Atomic Energy Authority to the Medical Research Council and here, since the sums (with the exception of the AEA) are not very large, the main concern is to see that the right men are doing the right work. The committee felt for a start that these Government-owned laboratories ought to narrow their field and withdraw from fundamental research that is properly the job of the universities. If aid is needed, the best way to give it is through grants for special equipment that the universities cannot afford. But when this has been said, the committee still had misgivings about whether the civil service provided the ideal framework for the good scientific mind.

Scientists in Government service are going to say that some of its recommendations for improving this by providing greater freedom for scientists to come and go, to take temporary jobs in Government laboratories and temporary jobs outside them, verge on the naïve. Perhaps the greatest drawback of the scientific civil service is, as the committee recognised, that a man is labelled " scientist " all his life long after he is past actual research work. But the worst irritant lies outside the committee's brief: it is erratic budgeting. Lack of money during three or four critical years when research was under the axe has had a more demoralising effect at, for example, the Royal Aircraft Establishment at Farnborough, than anything that the normal day-to-day frustrations of being a civil servant could produce. The lot of a scientist in industry or in the universities can be pretty frustrating too, and as this committee recognise, the civil service pays better.

DEVELOPMENT

DSIR Starts to Pay

IN placing its first " civil " development contract, the Department of Scientific and Industrial Research has chosen a machine tool project that was originally sponsored for naval requirements, but for which the Admiralty seems to have wanted some other department to take over the responsibility and to find at any rate most of the money. This is a gear-grinding machine designed to handle gears up to 5 ft. in diameter and to grind gears faster and more accurately than any existing machine. Some work seems to have been done on it at the Yarrow naval research establishment and at the Pametrada organisation ; but the DSIR contract will provide for the development and building of a prototype by Craven Brothers (Manchester), one of Britain's main builders of heavy machine tools.

The department will pay about £200,000, over a period of three to four years, to enable Craven Brothers to enlarge its design and development effort to complete this machine. It hopes, and Craven Brothers has presumably been persuaded, that the development may lead to a range of fully patented machines capable of grinding gears up to 12 ft. 6 ins. in diameter, and the production of highly accurate gears more economically than at present. Craven will contribute towards the development costs and provide the special capital equipment necessary to build the prototype. If the development is a commercial success, DSIR will expect a return on the money it has put in.

The department's machine tool steering committee—which has no representatives of the machine tool industry on it and appears to have had little contact with the technical or administrative organisations of the industry—has considered a number of other projects. About half a dozen have been put up by manufacturers, but turned down mainly on the lines that the DSIR committee considered the new ideas involved too trivial. It has made extensive inquiries about one favourite project that it dreamed up itself—an electronically controlled universal machine tool of high capacity at rather low cost. However, the next development contract that the department appears to have in the pipeline is likely to be in the computer field.

Small Man's Sponsor

THE National Research Development Corporation has had twelve years' experience of giving on a small scale the kind of aid on which DSIR is now venturing for the first time, and appears to have acted in large part as DSIR's adviser in the negotiation of these first industrial development contracts. Its brief is, however, very different and considerably more difficult than that taken up by DSIR, since it involves encouraging the development of ideas that first see the light of day in non-industrial laboratories, and which need a measure of development and testing before it is clear whether they ought or ought not to be strangled at birth. Thus the computer industry in this country was originally brought into being by the NRDC, financing ideas about computer design conceived at Manchester University, and it is now behind the development of the exceptionally high-speed Atlas computer that has given Ferranti a lead in world markets. The corporation appears now, from its latest annual report to June 30, 1961, to be fulfilling an important role in the commercial development of new drugs and medical techniques originating in the universities and the Medical Research Council. This balanced achievement over a broad front goes far towards correcting the popular picture of the NRDC as a truffle hound sniffing out new inventions, although it so happens that more than half its expenditure last year, £475,000 out of £812,000, went in support of three inventions each with a strongly individual flavour, namely hovercraft, fuel cells and the weird inflatable barges known as "dracones." This underlines a difficulty first raised by NRDC last year, that the scale of expenditure needed for trials is outstripping the corporation's resources. If the Department of Scientific and Industrial Research had not stepped into the breach with its development contracts, it is probable that some new method of financing would have been needed for NRDC.

THE EXCHANGES

Home for New Year's Eve

The exchange markets this week have been dominated by preparations made by institutions of all kinds—central banks, commercial banks, oil companies and others—to dress up their balance sheets of December 31st. In the process spot sterling has fallen further, to \$2.80$\frac{9}{16}$ at one point on Wednesday. A cross current of these influences has produced a rather confused market. Some central banks have sold dollars as well as sterling; some operators have actually found themselves short of sterling; but these have been outweighed on balance by the American institutions that in the past few months have been taking advantage of higher interest rates in London and are now acutely short of dollar assets which they need for their balance sheets. There is a keen demand for Euro-dollar deposits—up to 5 per cent has been paid for such deposits repayable on January 2nd.

This technical end-year selling of sterling has been accompanied by a commercial demand for dollars, but not by any noticeable withdrawals that could be attributed to a change of mood. It is significant that the discount on forward sterling has actually narrowed (to an annual interest rate basis of 2$\frac{1}{2}$ per cent against the dollar), confirming that the withdrawals represent the completion of swap transactions rather than outright sales of sterling.

The Bank of England has seen no reason to intervene in this technical situation with support for sterling, which explains the relatively sharp fall in the rate. These funds would normally be expected to return to London in the new year. It will be interesting to see whether they will. Underlying *confidence in the present exchange structure* is not improving as the weeks go by. At the same time, it is fair to point out, the surface remains relatively calm. The price of gold in London edged *down further this week*, to \$35.13$\frac{3}{4}$ an ounce at Wednesday's fixing.

IMF AGREEMENT

How it Happened

It is now possible to piece together the way in which the near-impasse at the International Monetary Fund meeting in Vienna three months ago was transformed into last week's concordat in Paris—described by the Chancellor this week, with formal accuracy but bland complacency, as "one of the most important events of 1961 . . . another stage in the development of international monetary co-operation in the monetary field." On paper, the International Monetary Fund should soon have additional potential resources, to be drawn from surplus countries as three- to five-year credits, of a theoretical \$6 billion or more, of which a maximum of around one-half could *in* practice be mobilised at any one time. This in itself is a valuable addition. But in order to get it some important issues have been compromised.

When M. Baumgartner, the French finance minister, took up his tough stand in Vienna, his main concern was not so much over the amount of the new credits as over their use and control. He maintained that the influence of the lending countries must be asserted visibly and directly, and not just through the International Monetary Fund. Hence the preference for working at the first stage through the new Organisation for Economic Co-operation and Development, with its periodic meetings in Paris of finance ministers of Atlantic countries (though Japan is a complication). This proposed shift in the balance of power naturally caused some private misgivings in the Fund. But the United States Treasury was determined that these procedural points should not stand in the way of getting the scheme through; and in the autumn intensive discussions took place in Paris between the United States *on the one hand* and the French on the other. At this stage Dr Jacobsson was almost a spectator, though he did succeed in keeping the new facilities routed formally through the Fund. Thus if, say, the United States should want to draw on the Fund to offset an outflow of short-term *capital, it* will formally put in its request to the Fund, which will then proceed to consult the executive directors and the finance ministers of the lenders' club, which will duly *meet in* OECD to consider its reply. In practice, the United States would go in secret to Dr Jacobsson and to the finance ministers of the European creditors at the same time.

This strengthening of OECD at the expense of IMF is in fact welcomed by two quite different sections of opinion. Its *instigators*, the cautious financial circles in Europe, are happier to keep the discussions confined to the industrialised countries and so lessen the risk of *their money seeping* away into the hands of the underdeveloped countries. From quite another standpoint, the strengthening of OECD in this way is welcomed, and was strongly urged on Mr Dillon, by M. Jean Monnet and his group, who like to miss no chance of pressing towards their goal of European federation, and *trust* that the "aid element" will be dealt with direct by European parliaments and not mixed in with IMF. This is somewhat strange company, and presumably one side or the other is likely to be disappointed. The hard working officials of the United States Treasury may feel they have achieved their immediate aim, of getting extra backing for the dollar. But the full United States quota could still be drawn only if Britain were in a position to provide *help at the time*. This advance is not so big in itself that one can dispense with misgivings over the way in which it has been brought about.

IN THE MARKETS

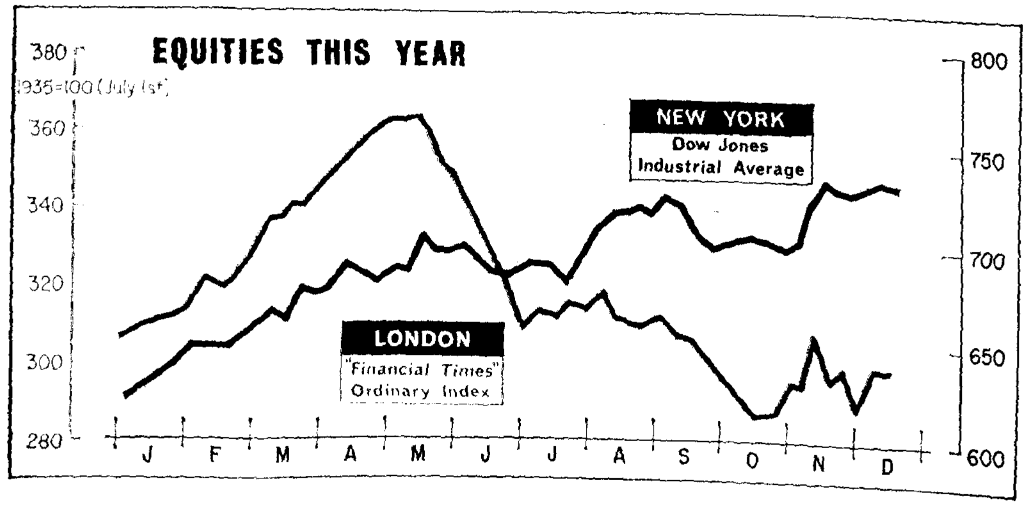
Conversion Guesses

Enlivened by the hectic dealing in Unilever at the end of last week and by the ICI-Courtaulds bombshell *on Monday*, the stock markets have not been all lethargy in pre-Christmas week; but otherwise activity has been small and prices have shown no marked trend. In Wall Street the recent rise has been checked, and by Wednesday's close the Dow Jones average was 12.3 points below its level of 734.9 a week before—but this was a peak for the year.

London equities, by contrast, are much closer to the year's low points. In 1961, as the chart shows, the London equity market has been both more volatile and much less favourable than Wall Street, which has shown a fairly steady rise through the year.

Gilt-edged also have been quiet this week, and the fillip given by last week's conversion operation seems to have spent its force. As usual there is no indication of what portion of the full application came from the public. It seems very doubtful whether there was any serious conversion into the extra £200 million tranche of Funding 5$\frac{1}{2}$ per cent 1982-84, as this stock could in fact be bought *a shade more* cheaply in the market.

The new 6 per cent Conversion 1972, however, has attracted a lot of interest. The banks, who hold a good part of the maturing stock still outside official hands, nowadays regard an eleven year maturity as on the long side, but the flat yield of over 6 per cent must be difficult to resist—the banks cannot feel certain that they will get a better yield from advances, less expenses, over the years. At the same time, some banks are holding back for the present to get the benefit of the mid-February maturity for liquidity at their most difficult time. Others believe *they get a better* bargain by switching in to tap stocks at a later stage, when they become more distinctly cheap in relation to market stocks. In all, the best guesses (which are still guesses) put public subscriptions for the new stock at perhaps over a third of the issued £300 million.



UNILEVER

Wall Street's Welcome

Unilever on the big board of the New York Stock Exchange caused a bigger stir than had been expected when dealings in Limited and NV began on Wall Street last week. American investment analysts had pointed out that, in comparison with American stocks, Unilever was selling at a much lower price/earnings ratio. They also argued that the stocks were attractive to high tax payers and that Limited was preferable to NV because, even under equalised dividends, NV has long commanded a higher price and a lower yield than Limited. Dealings in Limited and NV across the counter in New York have taken place for some years, but its official listing made margin dealings possible for the first time.

Even by Wall Street standards, the scramble for the shares was practically unprecedented. On the first day, turnover in Limited was 519,600 shares and the price climbed to \$31$\frac{5}{8}$ and 142,100 shares in NV changed hands with the price jumping to \$57$\frac{1}{8}$. On the second day, turnover in Limited and in NV was 639,600 shares and 89,600 shares respectively; but, as some speculators were quick to take their profits, both stocks fell by \$3$\frac{1}{8}$. Most of these shares came from London where trading was *equally hectic, with* British institutions quite prepared to sell at New York's prices. Quieter dealings followed, with prices drifting down to \$27$\frac{3}{8}$ for Limited and \$52$\frac{1}{4}$ for NV. London prices having risen to a peak of £12$\frac{5}{8}$ for NV and 55s. for Limited (now quoted in 5s. units), came back to £11$\frac{3}{8}$ and 48s. Their *yields*, however, are still no better than 2.1 per cent for NV and 2.5 per cent for Limited. Dividends are indeed covered over three times; but *Unilever* trades in highly competitive markets and has big interests in politically volatile countries, notably in Africa. Second thoughts were therefore appropriate, and those *British* investors who sold at or near the peak certainly have nothing yet to regret. Many will remember Wall Street's earlier welcome to "Shell" and Royal Dutch—a riproaring initial boomlet and a long aftermath when no one bought a share.

BANK CREDIT

Well Prepared

The clearing banks' make-up in December (a week earlier than usual to avoid Christmas confusion) is not quite their last chance to prepare for the pressures of the tax-paying season in the new year—January has in recent years shown a small increase. But the banks statement for the four weeks to December 13th published on Friday is impressive enough. It shows an increase in liquid assets of £80 million, raising the ratio to gross deposits by 0.6 per cent to 35.3 per cent. Compared with last December's ratio of 31.9 per cent—and with the banks' own expectations last July—the present figure is a great improvement. *It is the highest* end-year ratio since 1957 when, without the weight of special deposits, liquidity reached a high point of 38.4 per cent. It is true *that the* drain of funds into the Exchequer is likely to be especially large in the next three months—if the budget and little budget estimates are attained, the surplus to be gathered in by end-March will have to be over £900 million, or £400 million more than a year ago. But other influences on Exchequer finances, including the better state of the external balance of payments and the smaller receipts from non-marketable securities, may work the other way; and, especially with the help of such amounts of the February maturity that they do not convert, the banks' present liquidity should be sufficient.

LONDON CLEARING BANKS
December 13, 1961

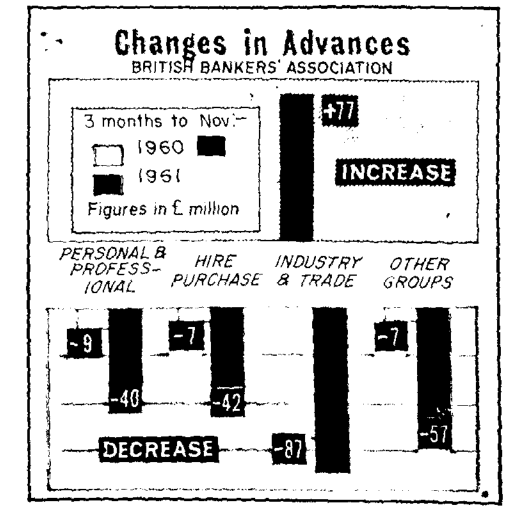
	£ mn.	%	Change on Month £ mn.	Change on Year £ mn.
Gross deposits	7,554		+104	+31
Net deposits*	7,018		+67	+117
Liquid assets	2,665	35·3	+80	+267
Cash	626	8·3	+21	+11
Call Money	706	9·3	+20	+83
Treasury Bills	1,081	14·3	+36	+75
Other bills and "liquid" credits	252	3·3	+3	+98
Special deposits	221	3·0	—	+78
Risk Assets:—				
Gilt-edged	1,007	13·3	+6	−151
Other market investments	112	1·5	—	−18
Advances*	3,209	44·5	−21	−19
(To State Boards)	68		−4	−2

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

The fall in advances is still continuing, though the pace is still slackening. The net fall in the latest month is £21 million, compared with November's £28 million and £250 million in the three preceding months together. The whole of December's fall was swallowed by transit items, which because of delays in Christmas post are up by some £23 million, and gross advances are actually up a shade. The only bank to buy more gilt-edged in any quantity has been Barclays, which purchased £5 million out of a total increase of £6 million. However, the banks' total purchases since they returned to the gilt-edged market three months ago, *which amount* to £71 million, have been spread fairly evenly among them.

The Cutback Analysed

The latest quarterly classification of bank advances, which covers the clearing banks and all the other members of the British Bankers' Association, shows where the bankers made their cuts in the three months to the mid-November make-up (the first large fall in advances of July-August came in the previous quarterly analysis). Of the twenty-six groups, all except four showed a fall—which confirms earlier indications that the record fall in advances since July had been pretty evenly spread. Total advances fell by £226 million to £3,691 million; this is *the first quarterly fall* since 1957 and the biggest since 1955. It com-



pares with a rise of £54 million in the corresponding three months to November 1960, and a rise of £347 million in the subsequent nine months to August of this year. The transfer of £40 million from advances to call money by the clearing banks in October has had little effect on these figures since the bulk of that movement was on account of overseas advances which are not included in the association's figures.

The banks have loyally made their main cuts in the places singled out by the Chancellor of the Exchequer in July. The sharpest was in hire purchase, from £158 million to £116 million, or 27 per cent, already larger than the cut of 20 per cent scheduled by the banks for the end of January. The latest figures from the Finance Houses Association show that in the three months to end-September the cut in their overdrafts had been partly offset by a rise of £38 million to £353 million in their deposits from the public. Local authority borrowing was cut by 22 per cent from £99 million to £77 million, though a still larger part of this cut must have been made good by direct deposits from the public. Personal and professional advances fell by £40 million to £664 million, after standing still in the previous three months; and advances to the "other financial" group, which includes some of the property developers, fell by £15 million to £335 million.

The slowing down in new borrowing by industry and trade, evident in the previous quarter, has now been followed by a large fall of £87 million—again the first since 1957. This change-round must be closely connected with the reduction in stockbuilding that has taken place this year. Thus advances to the iron and steel industry have fallen by as much as 8 per cent since February. The few groups that show rises in the latest quarter are all experiencing particular difficulties—shipbuilding, transport and communications, fishing, and entertainment. This quarter the squeeze has turned some of the seasonal factors on their head. Certainly agricultural advances have fallen as they annually do in the post-harvest season, but advances to retail trade and food, drink, and tobacco have also been cut at a time when they stock up for Christmas.

PORTS

Getting a Move On

ALL things to do with British ports—ships, cargoes, lorries—are getting bigger, while the equipment and facilities of the ports themselves remain in many cases frustratingly inadequate. Reading the FBI's evidence to the Rochdale Committee is at times rather like watching someone filling a wheelbarrow with a teaspoon. In particular the FBI recommends that all the major ports should have extra heavy lift capacity, to raise both the average weight which cranes can handle and the maximum capacity of the largest equipment. Not enough ports can at present handle the largest units of cargo—over 200 tons—which are now becoming more common. Similarly weighbridges and manoeuvring space need adjusting to larger lorries.

The biggest part of the question of size is the need to increase deep water berths. This has not been examined by the FBI in any great detail—they seem to have been put off by the fact that "opinions are not unanimous." The fact that most traders think that by virtue of present demand the Thames and Mersey need new deep berths should not be taken as the only criterion—obviously if more suitable ports had facilities for larger ships, traffic could be more evenly spread. Besides the PLA's proposal for a new 12-berth dock at Tilbury, attention should be paid—as the FBI themselves suggest—to the potentialities of some of the smaller East Coast ports, which are well placed for European trade and Midland traffic.

Port development has to be tied very closely to the economic development of roads and railways; key traffic improvements, such as the second Mersey crossing strongly recommended by the FBI, could make all the difference to the efficiency of certain ports. At the waterfront a good deal could be done by the better use of existing facilities, better organisation ("under the existing system at Newport railway wagons are occasionally mislaid") and a paring down of the multifarious paper work accompanying each shipment. The International Cargo Handling Co-ordination Association, which has also published its Rochdale evidence, urges the introduction of a standard bill of lading, questions the value of the entire tally system, and points out the disproportionate expense to importers of cumbersome customs procedures "designed to minimise the cost of revenue collection."

Both importers and exporters are agreed on the pressing need for streamlined bulk-handling facilities and readiness—in physical and procedural terms—to deal with the containers that are becoming an increasingly common feature of large-scale transport. Better storage facilities could spread the burden of transition more evenly; the ICHCA takes up an American idea that cargo distribution centres could be sited well outside congested port areas. The FBI thinks that public trust ownership should be extended to all ports and profits ploughed back into improvements. This is an idea which many users of the ports would like to see taken up; some of them, too, would be willing to pay higher dues for the sake of genuine, cost-cutting improvements.

DOMESTIC APPLIANCES

Kites and Connections

AN agreement to make certain appliances for each other that Prestcold and English Electric announced this week is the only meat so far to the reports that there would be a mass merger of the domestic appliance divisions of Associated Electrical Industries, English Electric, General Electric Company, and Prestcold. This story appears to have leaked out after talks between Prestcold, English Electric and AEI, and the scope of the proposed agreement has, Prestcold states, been exaggerated. Other companies mentioned in the story either deny any knowledge of such discussions or refuse to comment. But rumours persist that plans for some such merger are being prepared. Prestcold is in the unhappy position of having built a big appliance factory at Swansea that was finished when the boom was over; it appears that it has never operated at more than half capacity, and the chances that it can now be filled with Prestcold's own work must now seem slight. Saddled with this establishment, it might be natural for Prestcold to suggest to other manufacturers that it should make, say, their refrigerators for them, with the savings in cost from doing so in a large and modern factory operating near capacity as the bait. English Electric may not be able to supply Prestcold with enough work to keep its factory busy; hence the possible desire for further manufacturing arrangements.

The agreement between the two companies has not been spelled out in detail, but it seems that Prestcold may make refrigerators for English Electric, while English Electric might make washing machines for Prestcold. English Electric has been rather more successful recently with its washing machines than with its refrigerators, in which Prestcold is much the bigger.

If all three concerns were to co-operate, they would have about a third of the refrigerator market and about a quarter of the washing machine market—of which Hoover has about a third. The stiffest competition is coming from the fast-growing young firms like Lec and Astral—now owned by Electric and Musical Industries—in refrigerators, and the subsidiaries of foreign concerns like Electrolux and Frigidaire. In washing machines such a combination would be second to Hoover, squeezed between it in the higher-priced market and Electromatic at the cheaper end. Prestcold was expected to enter the washing machine market when the Swansea factory was ready; in present circumstances, it might prefer to sell someone else's machine. The new products that it has introduced, a dishwasher and a garbage disposal unit, are in markets that may expand fast but are now small: neither is likely to provide a short-term answer to its problem of over-capacity.

AIR FARES

Cuts, Open and Concealed

IT is said that the knowledgeable traveller can get under-the-counter discounts of up to 20 per cent at the present time on listed air fares for flights on the North Atlantic and so many are taking advantage of this that the International Air Transport Association is increasing its private police force from 24 to 36 in an attempt to bring the price-cutting airlines to book before they undermine the North Atlantic structure of air fares. Why the airlines do not simply cut air fares across the board is inexplicable under present circumstances. On the North Atlantic nearly all of them use jets that can show a profit even when half-empty, as they are now; this suggests ample margin for generally lower fares if these could attract more passengers into the air. And any travel agent will tell them that nothing short of lower fares will prevent the airlines from actually losing passengers next summer.

The airlines are not in favour of simple fare cuts; they have taken refuge, as they often do when confused or frightened, in gimmicky tricks intended to offer lower fares only to those who would not otherwise go by air. Why, they argue, should we reduce prices to the hard core of travellers who would fly in any case? The answer lies in the current success of the cheap, 17-day winter fares reintroduced in the autumn after having been suspended during the summer. Their reintroduction coincided with an upsurge of private and—more surprisingly—of business travel. These offer a 17-day return ticket on a jet aircraft (the cheaper propeller flights are not popular) for £125 against the normal return ticket of £173 and the first class ticket of £321 which now looks a poor bargain. Travel agents report that many of the businessmen cheerfully commuting across the North Atlantic on their £125 excursion tickets would stay at home rather than pay £173 for the journey; and are, the agents say, likely to stay at home if these cheap tickets are withdrawn during the summer as they were last year.

This explains the hurried meetings held by North Atlantic airlines during the past few weeks to try and agree to the retention of some form of excursion fare throughout the summer, even though it will certainly be higher than £125. Some airlines have also been pressing without much success for special party fares that would allow travel agents to send holiday groups on normal air services instead of on charter flights, so filling some of the empty seats. Determined bargain hunters might consider despatching themselves across the Atlantic as freight instead of as passengers. Freight rates are considerably lower than passenger fares and the regulations do allow owners who refuse to be parted from cherished packages to travel with them, properly weighed and labelled, in freighter aircraft and even, it is rumoured, to share the crew's coffee.

DISTILLING

Back to Scotch

WHISKY and gin distillers are anxiously studying their sales returns for signs of the effect of the 10 per cent increase in duty that the Chancellor imposed at the end of July. Initially, it halved deliveries to the trade—which had been inflated in July by anticipation of such an increase. By October they had begun to recover, and were slightly higher than they had been a year before; but nobody feels that this can be taken as a sure sign that retail sales have remained unaffected, even though the Christmas selling season seems to be a good one. The real test, they reckon, will come in the new year, when retailers no longer have hopes of record Christmas sales to buoy up their ordering. If retail sales have been disappointing, their orders will show it then.

Until the little budget reversed the trade's hopes that it might, some day soon, be given a relief on the amount of duty that it pays, whisky sales had been booming. In the six months to last June releases to the home market were 20 per cent higher than they had been a year earlier, the sort of increase that left the distillers with the comfortable feeling that whisky was getting back towards the share of spirit sales that it had before the war. In 1938-39 it formed about 70 per cent of sales, and in 1960-61 less than 50 per cent; but its sales have risen faster than those of gin in the past couple of years. The latest figures available for gin show that sales rose about four per cent in the year to March, 1961, when those of whisky had risen 15 per cent. So the switch in tastes from whisky to gin that was enforced by the shortage of whisky in the war years and after now seems to be in reverse. The young people who had grown up in a whiskyless world may by now have had time enough, since supplies became free, to acquire the taste for this drink. And perhaps American influence is encouraging them to drink more.

The Americans themselves have certainly shown no sign of drinking less Scotch. Up to the end of October this year, exports to the United States were 23 per cent higher than they had been a year before; with shipments to Europe rising too, total exports were 20 per cent. higher. Some part of this increase may represent stockbuilding abroad, but it helps to make the distillers feel more certain that the continuing rise in production—which was eight per cent higher in the year to last September than in 1960—will find a market when it matures. But the increase in stocks was more than it had been in 1960, despite the rising sales. One can see why the depression in chemicals leaves Distillers' profits higher.

DRINK LICENCES

Across the Counter

ONE of the principal clauses in the new licensing act allows off-licence sales of wine, spirits and beer to be made in normal shopping hours, instead of being confined as in the past to certain specified licensing hours. This has given rise to numerous applications to the magistrates for new licences from supermarkets and self service stores, big and small alike, and now the main Nottingham branch of the Woolworth chain has made its application. Woolworth is not seeking to sell alcoholic drinks in all its branches; but it can see the advantage of doing so where the branches, such as those in Birmingham and Nottingham, have big food halls. To secure a licence, however, the retailer has to provide the magistrates with proof of need. This is not easy to furnish when each public house in this country has an off-licence, when about 5 per cent of all grocery outlets have off-licences already, and when about 27,000 off-licence stores exist. Practically all the applications heard by the magistrates so far have been turned down.

Experience so far has not made the supermarkets and self service stores very hopeful about their applications. The number of new retail outlets for drink is likely to grow only slowly; indeed it might be optimistic to assume that the rise in the number of off-licences as the result of this act would be as much as 5 per cent. But each successful application will pose a competitive threat to the established trade. The present off-licences, of which about a third are owned by, or tied in some way to, brewers, will be on all fours with the grocers and supermarkets in the matter of opening hours—and so also will be the public house which maintains a separate off-licence department. But the off-licensees and publicans will be worried by the threat of price cutting by the supermarkets in a trade where it is virtually impossible to enforce retail price maintenance.

As producers and wholesalers, the brewers, wine merchants and distillers welcome any increase in the number of retail outlets so long as it adds to total sales. But as owners of public houses and off-licences, the brewers may be concerned that a new source of competition in the free trade could reduce the returns they make on the assets they own. They have to think too of the possible effect on the type of beer they sell and the way in which they package it. The supermarket will not, for example, want to be concerned with "returned empties" and will prefer canned beer. Several brands are canned at the moment; but only one beer in this country—Ind Coope's "Long Life"—is specifically brewed for canning. The supermarket trade might also incline towards the newer fashions in beer, such as lager; "Skol" and some of the imported lagers are already canned and the brewers of "Harp" are prepared to sell it in cans if the demand arises.

CIGARETTES

Gallaher Buys Wix

BOTH Gallaher and American Tobacco should be satisfied with the Wix deal. By selling J. Wix and Sons, the makers of Kensitas cigarettes, for 7,200,000 ordinary Gallaher shares of 10s. each, American Tobacco in effect exchanges a direct but narrowly based interest in the British cigarette market for a more widely ranging investment. The investment, moreover, is in a bustling company which through "Senior Service," "Park Drive" and "Nelson," has successfully captured sales from Imperial Tobacco. Imps' share of the British cigarette market is about 60 per cent; Gallaher's share is about 30 per cent now and Wix will raise it to just over 35 per cent. The deal will bring Gallaher for the first time into the gift coupon sector of the market. Presumably, Gallaher's directors felt that gift coupons were back to stay and saw obvious advantages in buying an established brand in this field rather than in launching something completely new.

The terms of the deal seem satisfactory: Wix will contribute about 15 per cent of combined equity earnings while the shares issued to American Tobacco will represent just under 13 per cent of Gallaher's ordinary capital. Thus there is no dilution of the Gallaher equity; the maintained dividend for 1961 of 20 per cent will, indeed, be covered over twice. Gallaher's shares have risen from 35s. 4½d. to 39s. 4½d. since the deal was announced. They have been living under the shadow of the possibility that Imperial Tobacco will be forced to divest itself of its interest in Gallaher. The issue of Gallaher's shares to American Tobacco will reduce Imperial Tobacco's stake in the equity from 42½ to 37 per cent. The Board of Trade is shortly expected to announce whether or not the Monopolies Commission's recommendation that Imperial Tobacco should divest itself of this holding is to be implemented. Imperial Tobacco has always been at pains to point out that it interferes in no way with the management of Gallaher and it has emphasised that in no sense was it a party to the negotiations for the Wix business.

SHIPBUILDING

Slightly More Cheer

Christmas is usually a cheerful season for shipbuilders, and this year is no exception. Presumably encouraged by the annual increase in freight business, new orders tend to bump up energetically in the fourth quarter. In the past two weeks this trend has been dramatised first by Seawork's £500,000 order from Sweden for three tugs and then by the winning by Furness Shipbuilding Company of a Norwegian contract worth about £2,750,000 for a 53,250 bulk carrier—thought to be the biggest ship of its kind so far. It looks as though the total of new tonnage ordered from British yards this quarter may be as high as 350,000, compared with only 210,000 for the same period last year. BP's decision to build two huge (100,000 ton) tankers instead of four smaller ones will slightly reduce total tonnage, if the replacement is a complete one, but the year's total of orders will still be over 800,000 tons, the highest since 1957 (though less than a third of that year's figure) although order books are still of such comparatively slim proportions that, like Joseph's kine, this extra food will leave them leaner than ever. They are likely to end the year at about 2,750,000 gross tons, the deepest trough since 1957.

The shipbuilding industry has had to swallow a lot of criticism lately; it deserves the encouragement that can be gleaned from the indications that some foreign shipowners are building again in British yards. Since June approximately 280,000 out of some 500,000 gross tons of new orders have come from abroad. At midsummer it looked as though even our old customers the Norwegians were relying almost entirely on other suppliers; the Furness order is one indication that, offered competitive terms, they are glad to return to the British market. Norway plans to import £90 million-worth of ships next year; it ought to be possible to attract a reasonable share of these here.

Unfilled shipyard capacity may be playing its part in helping the industry to overcome one of its chief uncompetitive features—overlong delivery dates. But more economic use of labour is an essential part of the long-term answer. Perhaps most hopeful of all for the future of shipbuilding are the steps—however small—that are at last being taken towards reducing the absurd burden of demarcation rules. One such step is being taken by two of the many unions involved—the executives of the Boilermakers (90,000 members) and of the Shipwrights (25,000 members) have agreed to amalgamate and their members will soon be voting on the matter. Demarcation will certainly not disappear with a union of unions, but at least it should gradually become a less rigid affair. This process should be further encouraged by the activities of the working party consisting of employers and union representatives to be set up under the Ministry of Labour.

STATISTICAL SANTA

Seasonal Greetings

"Seasonal belongs to the class of words discussed in HYBRID DERIVATIVES under the name of spurious hybrids. But it does differ from some specimens in being less easily done without." Dear Mr Fowler! When you made that entry in your English usage thirty-five years ago you could not have foreseen what a stranglehold this word would get on the economist and *The Economist*. We are lumbered, perhaps for ever, with an economic scene that is contorted with seasonal influences, factors, adjustments and variations and contorts itself even worse in trying to be rid of them.

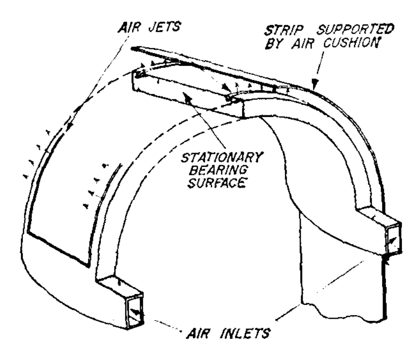
The business of smoothing out the bumps and humps in marriages, sales, overdrafts, strikes, men at work, men not at work and what you will, has lots of advantages, the statisticians say, and is meant to help you, the reader, "as on this whirligig of time, we circle with the seasons." But, as a Canadian devoté of this art, Mr Daly, wrote sadly some time ago: "It appears that on the whole, businessmen do not appreciate these advantages." Small wonder. A newspaper may carry the headline "Production Up" on its newspage, put in by an honest, simple-minded reporter who thinks figures mean what they say. On another page a sophisticated pundit who would never look at an uncorrected figure at any season can mournfully declare: "Production at New Low." Tortured by choice, even an otherwise sane commentator has been heard to observe that "the seasonally adjusted index usually rises at this time of the year." Recently, a respected City columnist recorded that the level of retail sales, after seasonal adjustment, was the same in November as in October; then remarked that usually Christmas spending sent the figure up; and concluded that Christmas spending was going to be either less than usual or later than usual. Nor, let us hasten to admit, are our own sacred columns by any means guiltless; on the same subject, only a few weeks ago, the right hand did not know what the left hand was about.

What are poor economic journalists to do? Must every figure be prefixed sas—seasonally adjusted series? How dull the world will seem when we accept that, sas, it is flat after all and that our seasonal greetings, which we now extend, sas, are not a scrap warmer or more heartfelt than at any other time of the year.

HANDLING STEEL

Strip on Air

The hovercraft may not have been the first machine to use the air cushion principle, but it set engineers thinking about other applications. The latest of these is, improbably enough to the layman, a pulley over which steel strip can run, which has been developed by the British Iron and Steel Research Association. Instead of an ordinary rotating pulley, there is a semi-circular bearing surface, over which the strip floats on a cushion of compressed air. This is produced in the same manner as on a hovercraft, by blowing air out of inward-pointing jets that run all round the circumference of the bearing. The cushion of air may be only 20 thousandths of an inch thick, so the power needed to maintain it is small; a fan can supply the compressed air. And, as the surface of the bearing can be made of plastic wherever the strip is cold, the whole



device is comparatively cheap to make. The absence of friction with the air bearing cuts the power required to pull the strip through the works, so that instead of having an electric motor on every pulley that the strip runs over, the mill would probably need only one driving a pair of conventional pulleys at the end. An air-cushion pulley might cost £100, compared with £500 for a conventional pulley and its electric motor. Cutting out these electric motors and rollers might make an even bigger saving on maintenance costs, for they are often a headache—and any failure stops production.

The air cushion pulley will be most useful for thin strip, which is easily damaged when passing over rollers and liable to break under the high tension they place on it. Tinplate mills may therefore be the first to use air cushion pulleys, but they would be equally useful for other thin materials—metal foil, paper or any non-ferrous metal strip, where the surface needs to be kept smooth. Thicker strip than tinplate can be handled by an air bearing if this is made bigger in diameter, so that it bent less sharply; but once one starts dealing with hot-rolled steel strip, the surface finish counts for less and, with the bigger bearings required, the advantage of the air cushion system declines. It would obviously be unsuitable where the strip needs to be compressed; but if it promises to be a valuable new technique in the many parts of a mill where strip needs to be moved around for treatment.

Head Wrightson has taken a licence from BISRA to develop the process for commercial use, and has already built a full-scale experimental rig. It is ready to design an installation for anyone who wants to build a new plant using thin strip; but it cannot apply the air cushion bearing to existing mills, for they are all designed for too high a tension on the strip for the air bearings. Head Wrightson is therefore working with BISRA on bearings that use liquids instead of air. These should be able to stand higher tensions and would be useful where strip has to pass through processing baths.

SUGAR

Post Mortem

If the Cuban delegate to the resumed conference in Geneva which reviewed the international sugar agreement was accurately reported, he neatly summed up what that congress had achieved: "We preserve the hull of the ship, but we have thrown over the machinery." Hull or hulk, a legal eye is now being cast over the 1958 agreement to assess which of its provisions will continue to operate. No party to the agreement has renounced it; ironically in its near valedictory, the International Sugar Council welcomed a new member, Nigeria, to its fold. But basic export tonnages have gone overboard and with them all pretence that the free market was effectively regulated. Whatever titular obligations remain, it would seem that the council has been left with little beyond its good intentions.

Only a week has elapsed since the international agreement went into the limbo, and the free market has not been appreciably weaker as a result of it. What happens to prices now may be considered a fair test of the agreement's effectiveness, but this year the agreement has been less effective because it has not been strictly adhered to. Cuba's large overshipments this year and the theoretical penalty that should be paid in subsequent years by way of deductions from allocated export quotas certainly lessened the chances of reaching an acceptable agreement. But there are many sides to this problem that have already been brought out in the protracted search for an acceptable compromise.

One is that Cuba appears to be more than normally resentful at the loss of its market in America though it had gained a compensating outlet in the communist block. Cuba's contention that it needs other outlets to obtain a reasonable amount of free exchange (the bulk of the settlement by communist countries is cynically said to be in nuts and bolts) might be partly inspired by jealousy over the very much higher price paid to America's suppliers than the supposed 4 cents a lb. obtainable in communist quarters.

But if the major decision is not deferred, the United States will replace its current arrangements by a new sugar act next summer. It is so easy to demonstrate that the United States pays over the odds for its sugar that its suppliers are worried over the possibility that the premium will be reduced. Sugar is therefore entering a year of uncertainties only with a sporting offer by Cuba not to start a price war and to limit its exports to the compromise proposed by Russia of not more than 6.3 million tons that other producers evidently found unacceptable. Until new United States legislation is in force and some assessment of how much Cuban sugar the communist countries will wish to resell can be made, there can be no justification for recalling an international conference.

RUBBER

Revised and Revived

Spot supplies of grade one rubber have regained about 1½d. to 23¾d. a lb from the depressed level following the first sales of stockpile rubber under the British and American governments' new disposal policy. Since then, the International Rubber Study Group has published revised estimates of production and consumption this year and a tentative forecast of the likely balance between them in 1962. But the market is not normally impressed by calculations about what has happened, which is normally reflected in the current market price, or about what might happen next year, which can at this stage be little more than a good guess. This is particularly true of the study group's estimates for this year. Most observers with a statistical bent hold that they are too optimistic. If the study group is right, supplies of natural rubber this year including stockpile releases are almost exactly balanced by consumption, which should reach 2,050,000 tons. This "balance" is expected to be upset during the course of next year by a drop in consumption, put at 10,000 tons, a rise in production, said to be about 45,000 tons, and presumed heavier sales from stockpiles.

In earlier years (but not last year) the price of rubber has tended to strengthen at this time for reasons connected with companies' balance sheets rather than a genuine desire for more rubber. But Russia seems to have been buying quite heavily from one source or another, and demand from United States manufacturers has grown and can be expected to expand further. The wintering period in rubber, in which yields are reduced, is approaching and the study group's estimate of the surplus next year might be more relevant to the latter half of it than the next few months. The one major doubt is the impact that increased production of new stereo-regular rubbers might have. A sharp expansion of the use of these new synthetic rubbers could take a lot of the newly acquired bounce out of natural rubber.

SHORTER NOTES

The Central Electricity Generating Board has ordered plant worth £14 million from Associated Electrical Industries for its new 2,000 megawatt power station at Eggborough in Yorkshire. AEI will supply four 500 MW turbine generators with condensing plant and boiler feed pumps; the first unit will start operation in 1966, and all will be in commission by 1968.

★

The World Bank has made a loan equivalent to $45 million to Venezuela for a term of 20 years at 5¾ per cent. It is the bank's first loan to Venezuela and is to assist in financing two express highways.

★

The De Beers group is to continue to market Russian diamonds. Exports of Russian stones to western countries are covered by the agreement, which has been renewed for an "extended period."

COMPANY AFFAIRS
Comments on pages 1252 and 1253 on:
Montague Burton — British Oxygen
Turner and Newall — Dorman Long
Westinghouse Brake — United Breweries
Teacher (Distillers) — Smith's Potato Crisps

LONDON AND NEW YORK
Stock prices, yields and security indices on pages 1254 and 1255

LONDON STOCK EXCHANGE
The week's movements reported on page 1253

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 1256

COMPANY MEETINGS

JOSEPH LUCAS (INDUSTRIES) LIMITED

REPERCUSSIONS FROM SET-BACK IN MOTOR INDUSTRY

EFFECT OF GOVERNMENT RESTRICTIONS

GROWING IMPORTANCE OF OVERSEAS MANUFACTURING ACTIVITIES

The sixty-fourth Annual General Meeting of Joseph Lucas (Industries) Ltd. was held in Birmingham on December 18th, with the Chairman of the Company, **Sir Bertram Waring,** presiding. In submitting the Accounts for the year to July 31, 1961, showing profit after tax of £2,526,350 (last year £2,923,424), he said:

Capital expenditure of over £5m. was incurred during the year in developing the Company's activities. There were major extensions to existing factories and consequential heavy plant purchases for these, as well as for the new disc brake factory at Bromborough near Liverpool. Investments in Industrial Companies were also increased by £550,000 due in the main to investments in Tem-Lucas in Argentina and Roto-Diesel in France which are referred to later. As a result of this expenditure and the payment for Bryce Berger Limited, which was reported last year, as well as the financing of increased stocks, the Company is now overdrawn at the bank.

To meet the cost of current overseas developments, and in view of exchange restrictions, negotiations are taking place for raising a long-term loan outside the sterling area.

THE YEAR IN THE MOTOR INDUSTRY

In the Motor Car Industry the year covered by the Accounts was probably the most difficult and disappointing that we have yet experienced. It opened at a time of expansion and confidence. In the preceding months the Industry had beaten all previous production records and preparations were well under way for a further substantial enlargement of manufacturing facilities. We had embarked on our own programme of expansion to enable us to keep abreast of the needs of our customers. Unfortunately the demands reaching the motor car factories fell very considerably during the late autumn and winter months and only partially recovered during the summer. The quite dramatic change from a programme of rapid expansion to one of contraction brought many problems, including an accumulation of stocks at all stages of manufacture and supply. By December the rate of production in the factories engaged on making motor car equipment had been cut to less than one half of what had been achieved earlier in the year.

The changed situation arose partly as a result of a reduced demand for all cars in the USA which had previously been taking about 25 per cent of the total British production. This fall in sales caused a rapid accumulation of stocks in the country and in transit before supplies could be regulated from this end, and the accumulation was sufficient to meet most of the sales demand for the remainder of the financial year. The suitability of British cars for the American or any other market has never been in question. Their prestige as engineering products stands very high. Nevertheless competition from the American "compact" cars, and from European manufacturers, has been and remains intense.

GOVERNMENT ACTION AND ITS EFFECT ON THE MOTOR INDUSTRY

If costs are to kept down the volume of output must be kept up, and we have to rely on the Home Buyers to provide a steady and sufficient volume of sales to tide over the vagaries of the Export markets. Unfortunately Government action seems doomed to apply restraint when times are bad. Credit restrictions in the United Kingdom imposed in April 1960 made themselves felt in the factories right on top of the American difficulties. The further burdens of hire-purchase restrictions and increased purchase tax were imposed in January and July, just when the industry was in greatest need of support from the Home market. Reference was made last year to the difficult and disturbing situation created by an "on or off" credit policy. Because of its size and importance there has been a strong tendency to use the Industry as a national economic regulator, clamping down or relaxing restrictions on the purchase of cars to damp or stimulate the overall economy. While the convenience and simplicity of this can well be appreciated, the damaging and disrupting effects on the Industry and all who work in it, are not perhaps so widely recognised. During the last six years there have been eight changes, for better or worse, either in the rate of purchase tax or in the rules of hire-purchase, affecting motor cars. Apart from the disturbance to trade caused at the time, these frequent swings have a cumulative effect which distorts the normal pattern of trade in subsequent years.

In addition the Industry is regarded as a major source of revenue, purchase tax of 50 per cent—now increased to 55 per cent—being levied on new cars without regard for the restrictive effect on the development of the Home market, which alone can support a thriving export business. The British tax imposition is about double the levy in France and some four times that in Germany, which goes a long way to explain the rapid increase in the Motor Industries of those countries and their competitive abilities in world markets.

REPERCUSSIONS ON THE COMPANY

As a large supplier of equipment to the Car Industry the Company felt the effect of the collapse of demands immediately, and the repercussion was such that our business with car manufacturers operated at a loss for the greater part of the year. The situation is still unsatisfactory but every endeavour is being made to obtain a reasonable profit margin at the lower level of demand. The car manufacturers were themselves hard hit but our activities were particularly affected because everything we sell is made from the raw material stage onwards, and contains little in the way of bought-out accessories, sub-assemblies, or partly manufactured parts, the prices of which may remain roughly constant despite high or low production schedules.

During the previous year substantial additional facilities were put in hand to meet the unprecedented demand for car electrical equipment and to match the expanding capacity of the motor vehicle manufacturers. Heavy overhead expenditure was incurred as a result of this expansion programme. Whilst every effort was made to reduce this expenditure when sales fell sharply, there was a limit beyond which it was unacceptable and inadvisable to withdraw if we were to retain the basis for the future growth which is still confidently predicted. In the meantime this overhead burden squeezed profit margins disproportionately on sales which formed a considerable part of total turnover. Further pressure arose from higher wages and the effect of a full year of the shorter working week.

Offsetting the substantial fall in sales of motor car equipment were gains in almost all other manufacturing activities so that total sales were marginally in excess of those of the previous year.

BUOYANCY OF THE COMMERCIAL VEHICLE INDUSTRY

In contrast to the conditions that prevailed in the Car Industry, the Commercial Vehicle Industry remained buoyant. It has continued to expand since the withdrawal of purchase tax in 1958. It is particularly encouraging that exports have continued to increase and are likely to absorb nearly 60 per cent of production during 1961/62. British tractors continue to dominate the world markets and it is expected that nearly 80 per cent will be exported in the same period. During the year we produced the 500,000th distributor-type Diesel engine fuel pump at our C.A.V. Works. It is six years since we started this development. The second half-million pumps will be completed within two years. Thus we can say that we have succeeded in our aim of introducing this revolutionary new system.

The Motor Cycle manufacturers maintained a good level during the year, having in mind the growing difficulties from foreign competition and the home credit restrictions, all of which added further burdens to the problems of this specialised industry.

IMPROVEMENT IN THE AIRCRAFT BUSINESS

During the year there was a continued improvement in our Aircraft business. This industry is highly competitive from a technical point of view. The rewards go to those who take the

lead in development and design of a very specialised nature. The ultimate outlets for production are limited in number, and every single order is open to competition with the best that can be done by the American and Continental manufacturers. The British gas turbine engine manufacturers have established and maintained a clear lead over the rest of the world, which is a matter for great satisfaction. We benefit from this because we supply, in competition with other British firms, both combustion equipment and fuel supply and control equipment. The provision of electrical equipment is related more to the number of aircraft that are built than to the number of engines. New military aircraft are approaching the production stage and there are good prospects for the new civil types which are in a stage of advanced development. The forward outlook is therefore somewhat brighter, but in order to benefit from this situation in a highly competitive business we must reduce costs and improve our general efficiency.

Applications of our hydraulic and other equipment in industrial fields other than aircraft are now showing promising results. We have had to sell our wares to customers who were new to us and to whom we were not known. This is always a long and painstaking business and it is encouraging to know that we are now meeting with some success.

EXPORT BUSINESS AND OVERSEAS ACTIVITIES

Our direct export business continued to expand and reached a record turnover in spite of the set-back to vehicle exports generally, and of increasing competition from European and Japanese manufacturers. The Lucas World Service Organisation is represented by a network of 1,700 agencies overseas, and by our own distribution companies in Australia, New Zealand, Canada, USA, India, Pakistan, Germany, Switzerland, Mexico and Panama. There are plans for the establishment of further distribution companies in South America and South Africa.

Our overseas manufacturing activities are becoming of more and more importance. The Canadian Company which was primarily concerned with the manufacture of aircraft equipment is still suffering from the Canadian Government's decision to withdraw from the development of aircraft in Canada. It continues to make some profit and is endeavouring to broaden its activities into other industrial fields. The Australian Company has suffered from the set-back in the sales of new cars in Australia as a result of the credit squeeze there. All local vehicle manufacturers have severely curtailed production. This has had a serious effect on the fortunes of our own manufacturing subsidiary, which was striving to become established on a profit-making basis with the business that was previously available. The situation has been made more difficult by the action of the Australian Government in removing all import controls, as a result of which many of the vehicle manufacturers have reverted to obtaining their supplies from the cheaper European and American sources.

Our French Associate Company, Roto-Diesel S.A., has commenced manufacture of distributor-type Diesel pumps. The factory was officially opened as a going concern in September. Negotiations are now under way for the acquisition of a substantial interest in a company in France engaged in the manufacture of vehicle electrical equipment similar to our own.

In Argentina we have entered into a partnership to set up manufacture of vehicle electrical equipment and brakes. Our partners are Siam Di Tella Limitada, a manufacturing organisation of high repute who have considerable experience in the light engineering field. Our joint enterprise has acquired control of Martin, Amato y Cia, a local company already producing certain automobile equipment of our type. Similar negotiations are in the final stages for manufacture of vehicle electrical equipment in India, in association with T. V. Sundram Iyengar & Sons Private Limited of Madras, a company of high standing with wide interests in Southern India. In Germany a site has been purchased at Coblenz where it is proposed to build a factory to manufacture Girling brakes for supply to the German vehicle industry.

PRODUCT DEVELOPMENT AND RESEARCH

Throughout the year, the Company has continued to improve manufacturing processes and to devote considerable resources to research and the development of new products. Results are rarely spectacular or sudden, but ultimately yield sound commercial benefits. Developments stemming from gas turbine control pumps have now led to a useful production volume of industrial hydraulic pumps and motors. Disc brakes, until recently fitted only to large cars, are now standard equipment on one of the Country's leading small cars. Progress has been made in the design and production of new electronic equipment. To strengthen further our existing research organisation a new laboratory for work on diesel engine fuel systems was completed during the year at C.A.V., Acton. It is probably the most advanced facility of its type in the world.

THE OUTLOOK FOR 1961/62

The early months of the 1961/62 financial year on which we are now embarked have so far provided a turnover similar to that for the corresponding period last year. The Motor Car equipment business is still financially unsatisfactory but it is expected that it will progressively improve. The resilience of the Motor Industry, and its confidence in its own future, is expressed in the Manufacturers' expansion plans which are developing steadily to provide capacity for the output of some two million vehicles a year. In design, performance and styling the British car has characteristics appealing to an ever wider market. This Company shares the confidence of the vehicle manufacturers and has made provision for a steadily increasing demand for its products. Arrangements are well advanced for utilising additional capacity at the Royal Ordnance Factory at Fazakerley, Liverpool, which has been acquired since the date of these Accounts. It is expected that the sales in the coming year of aircraft and other equipment will be maintained.

COMMON MARKET OPPORTUNITIES

Any consideration of the future is of course dominated by the Common Market, and reference has been made to our current activities on the continent of Europe. The challenge of a huge domestic market comparable in size to the United States, and the confidence that has attracted large scale investment which guarantees further expansion, have welded the countries of the European Economic Community into the most rapidly developing market in the world. The monthly average of imported manufactured goods last year was almost double that of the United States. The population of the six countries of the Common Market is already 170 million with a rapidly increasing average income per head. Past trends demonstrate a high correlation between growing income and car ownership, and therefore Europe, with less than a third of the cars of the United States, offers enormous potential sales. It is obvious that much of the future prosperity of the British Motor Industry depends on its capacity to penetrate this market against well-established and worthy competition from Western Germany, France and Italy.

STOPPAGES IN INDUSTRY

Some reference must be made to the seriousness of the stoppages and strikes which occur all too frequently in some sections of British industry. In last year's report it was suggested that it may well be that the time is coming when something additional should be injected into the established employer and employee negotiating mechanisms with the object of protecting those who are adversely affected by a strike but have no part in it, and also to protect the public at large from the disaster of inflation. This situation is becoming more and more obvious, and both Employers and Unions are suffering from its consequences. The way to establish a greater measure of order is not uncharted as it has been effectively dealt with in other democracies.

The dividend recommendations were approved and the Accounts were adopted.

DICTOGRAPH TELEPHONES

MR G. LA NIECE ON A YEAR OF PROGRESS

The twenty-fifth annual general meeting of Dictograph Telephones Limited was held on December 14th in London, **Mr G. La Niece** (the chairman) presiding. The following is an extract from his circulated statement:

The year has not been an easy one; nevertheless progress has been made and indeed the Company achieved a record turnover.

The Consolidated Profits of the Group before Taxation amount to £326,322 (£324,756 last year). The Taxation provision is £144,259 (last year £141,429). This leaves us with Consolidated Profits for the Group, after Taxation, of £182,063 (£183,327 last year).

A Final Dividend of 10 per cent less Income Tax is proposed making a total Dividend for the year of 20 per cent.

Grampian Reproducers Limited also made progress last year, and once again has made a substantial contribution to the prosperity of the Group. This Company now has a turnover exceeding £250,000 per annum.

The world famous Dictograph Loudspeaking Intercommunicating System continues to be the mainstay of our business. In addition, there was a notable increase last year in the sale and rental of Loudspeaker Systems for Staff Location, etc. Time Control Systems including Time Recorders, also Pocket Paging Systems, continue to provide a useful contribution to the total volume of business.

Grampian Reproducers Limited are continually increasing their range of electronic equipment. The demand for the new Grampian Dynamic Microphone at present exceeds manufacturing capacity.

The report was adopted.

LEEDS PERMANENT BUILDING SOCIETY

Financial Strength Further Increased

The 113th Annual Meeting of the Leeds Permanent Building Society was held in Leeds on December 18, 1961. The President, **Mr Ronald S. Schofield, JP,** in the course of his speech said:

WELL-KNOWN FINANCIAL STRENGTH

The Society has made good progress in the year under review and has once again added to its well-known financial strength. Nevertheless the year has not been an easy one.

It began with interest rates of 6 per cent on Mortgages and 3½ per cent on Paid-up Shares. Financial commentary during the year frequently pointed out that these rates were unrealistic. By the middle of the year the increase of withdrawals made it abundantly clear that to maintain the funds available for lending, interest rates for investors required to be raised, with the consequent raising of the mortgage rate.

INCREASED INTEREST RATES

Immediately after the Building Societies Association recommended the raising of the rate on Paid-up Shares from 3½ per cent to 3¾ per cent, and the Mortgage rate from 6 per cent to 6½ per cent the country entered another economic crisis. Remedial measures were imposed by the Government, the most severe being a penal rise of Bank Rate to 7 per cent and a consequent rise of interest rates generally.

Fortunately this did not last long and today the rates offered by the Building Society to investors cannot be bettered bearing in mind the Income Tax advantage, and the quickness and certainty of withdrawals at full value without any cost to the investor.

GREAT DEMAND FOR MORTGAGES

Today the demand for loans is beyond the capacity of the movement. So great is the demand that it may be some years before there is sufficient flow of savings available to satisfy it.

What all Building Societies look forward to (though occasionally with some despair these days) and earnestly hope for, is a stable level of interest rates. Changes are a disturbing influence and create great administrative expense. I must confess therefore that they resist changes even though market conditions would justify them.

Looking ahead, it would seem that interest rates are not likely to come down in the immediate future from their fairly high level.

During the year we lent a total of £21,690,107 in 11,440 separate mortgages on carefully selected securities. No less than 98.3 per cent of our lending in the year was on dwellinghouses for owner-occupation.

BALANCE SHEET

The Society's total assets have increased during the year by £8,631,404 to £146,759,724.

The mortgage assets have increased from £113,701,862 to £121,638,884, that is to say, by £7,937,022 in the year.

Liquid assets, in cash and trustee investments, have increased to £23,095,004 representing 15.7 per cent of total assets. The Society has no less than £15,134,077 representing 10.3 per cent of total assets invested in securities repayable on various terms of notice not exceeding six months. In addition cash on hand and at bank amounted at the year-end to £3,242,005.

The Society's general reserve fund has now grown to £7,700,000 and total reserves, including the Fire Guarantee Fund, and the amount set aside for future taxation, have reached the highly satisfactory sum of £9,105,100 or 6.2 per cent of total assets. This is after writing down the Society's gilt-edged securities to market value.

We feel we can rightly claim that an investment in the Leeds Permanent is one of the soundest and safest which can be made.

INVESTMENT RECEIPTS

Share and deposit balances at the year-end amounted to £136,451,574, an increase in the year of £7,546,733. Receipts from shareholders and depositors during the year were £25,945,057, an increase over the previous year of £264,381. Withdrawals, including interest paid out, were somewhat higher at £22,971,553. We can possibly ascribe this to a continuance of credit restrictions, with their intensification in July last, and to the fact that, for most of the year, our share rate was not quite competitive enough.

REVENUE ACCOUNT

As will be seen from the Revenue and Appropriation Account, we had a surplus on the year's working of £639,679. Adding the balance brought forward from last year of £117,047, and the sum of £7,012 representing profit on realisation of investments, and after writing down quoted investments to their market value, we had for appropriation the total sum of £731,100. £700,000 of this has been added to General Reserve, the balance of £31,100 being carried forward.

TAXATION

The accounts before you show once more how grievously heavy is the burden of Taxation on the Society. Out of the slender margin available for the reserves so necessary for sound progress the revenue has taken 10s. 9d. in the pound.

The Government refuses to heed the fact that the Building Society movement is one of mutual societies performing a social service whereby the savings of one member are lent to another. Such surplus as is made is put to reserve to make the operation secure. By whittling down reserves, by continually levying an unjust "Profits" Tax on Societies, the Government hampers home-ownership and contradicts its idea of a property-owning democracy by the activities of its fiscal policy.

Can we hope that the Chancellor will reconsider the unwarrantable penalty on Societies which Profits Tax represents?

BRANCH DEVELOPMENT

During the year we were approached to take a transfer of the engagements of the old-established Aberdeen Property Investment Building Society, which we did on August 8, 1961. Their accounts have been incorporated with those of the Society, and we welcome to the Leeds Permanent the 760 members and 39 depositors of the Aberdeen Society. The completion of this transaction coincided with the opening of our new branch in Aberdeen.

As well as Aberdeen we have opened new branches in Bromley, Dundee, Guildford, Morecambe, Peterborough, Scunthorpe and Stockport.

The Society's management expenses continue at a substantially lower level than the average for the whole movement. In the year under review they have amounted to 10s. per £100 of assets.

In guiding the Society through the complexities of the year whilst at the same time maintaining the expansion of the Society, the General Manager and his team have rendered services of the utmost value.

TECALEMIT LIMITED

RECORD RESULTS DESPITE DIFFICULTIES

PROGRESS OF SUBSIDIARIES

MR SYLVESTER G. GATES'S REVIEW

The twenty-seventh annual general meeting of Tecalemit Limited will be held on January 12th at Winchester House, Old Broad Street, London, E.C.

The following is the statement of the chairman, **Mr Sylvester G. Gates,** which has been circulated with the report and accounts for the year ending July 31, 1961:

You will remember that last year I was able to report to you record results, the trading surplus before depreciation and taxation having risen by no less than £230,000. I said then that I expected the results of the year just ended to be comparable with those I was then reporting. With the recession which there has been in the motor-car industry, you can imagine that this has not been a particularly easy year for such a group as ours. It is therefore very pleasing for me to be able to report that we have done even better than in the year ended July 31, 1960.

The trading surplus of the group before depreciation (including the profits of British Filters for sixteen months) was £815,961 as compared with £700,754, and the net profit after taxation £344,839 as compared with £298,359.

We have put £128,983 to Capital and General Reserves, which compares with £75,000 last year, and we recommend a final dividend of 12 per cent, which with the 6 per cent interim dividend already paid, will make 18 per cent for the year—the same as last year. We should have liked to increase the final dividend in view of the results attained, but we feel that we must defer to the appeal made by the Chancellor of the Exchequer. If you adopt the recommendation now made, it will leave undistributed profits carried forward at £401,182 as against £328,962.

MOTOR-CAR INDUSTRIES RECESSION

Naturally the biggest contributor to the group profit was the Parent Company, which was responsible for 71 per cent of the group profit, although its own turnover only rose by about 6½ per cent. Nevertheless, I would point out that the Board's policy of broadening the base of the group's business is now taking effect. No more than four years ago the Parent Company's profits were nearly 85 per cent of the total for the group.

As I have already mentioned, the year was a difficult one for the Parent Company owing to the considerable drop in the output of the motor-car industry. We have in the course of the past few years increased the range of components and accessories which we sell to this industry but, despite this, our sales to car manufacturers fell by 11 per cent as compared with the previous year. However, the other sales divisions more than held their own.

PLASTIC PRODUCTS

Despite the fact that we are still waiting for a major standardisation in the field of brake hoses, our business in plastic products—both extruded and moulded—continues to grow. A number of further applications are in the course of development.

In the USA we have granted a licence to manufacture our plastic products to the Imperial-Eastman Corporation of Chicago, a well-known and progressive company principally engaged in the manufacture and sale of high-pressure hoses and couplings. We decided to accept payment for the licence by way of shares in the Corporation, which has invited Mr P. R. Scutt to join its Board of Directors. Production in America has already started.

CENTRAL LUBRICATION

Central lubrication for commercial vehicle chassis is another section of our business which is now making an important contribution to our profits. I have told you before about our Syndromic system, which is particularly suited for vehicles over seven tons. We have developed another and cheaper system for the lighter commercial vehicles known as A.C.L. (Automatic Chassis Lubrication), which has achieved immediate success. We now have a range of pumps which can be fitted to any type of commercial vehicle chassis and, as a consequence, the business in both systems has expanded very considerably indeed over the past two or three years.

The principle of the A.C.L. pumps is the same as our original Syndromic system, whereby a pre-determined quantity of oil is fed to the chassis bearings on a mileage basis. We understand that this is the only completely automatic system of its kind in the world.

SUBSIDIARIES

All but one of our UK subsidiaries improved on the results of the previous year, Foamite Limited being outstandingly successful. The one exception was the Gabriel Manufacturing Company Limited, which, for the first time in its history, showed a reduced profit. We think it inevitable that the "Titeflex" side of this company's business should decline somewhat in the future, chiefly because of the Parent Company's success with nylon products, which in many respects are superseding metal tubing. At the same time, we have come to the end of our Government contracts for waveguide development; and, whilst we enjoy a very good business in waveguides, they serve a field where expansion can only be slow. Nevertheless, we still get a very satisfactory return from our investment in Gabriel and are trying to find new products for it.

During the year negotiations were completed with our partners in British Filters Limited whereby that company became a fully owned subsidiary. Its turnover and profits showed an increase over the figures for the previous year, which were themselves a record.

BRITISH FILTERS

British Filters has developed an entirely novel system of filtering beer, which provides a better degree of filtration at a reduced cost. Reactions from brewers who have conducted field trials of this system over the last year are enthusiastic. Filtration is effected through stainless steel cylinders, which we propose to hire out to brewers. When exhausted, they can be easily disconnected and replaced, after which they will be returned to us for cleaning and recharging. This service should be available to breweries by April of next year. The system, which is the result of lengthy research, is fully patented throughout the world and should be a source of revenue for many years.

We have invited Mr Tom Worth, the Chairman of British Filters Limited, to join our Board and are confident that his unrivalled knowledge of filtration problems will be of great benefit to us.

Development work on the Brunt variable speed motor has continued throughout the year and has now reached the point where we believe that an application in the field of textile machinery can be successfully marketed.

OVERSEAS ACTIVITIES

Overseas, our Canadian and Indian companies showed a further advance in their trading results, but we met with a slight setback in Australia, where our company has been suffering from the severe restrictions on credit imposed by the Commonwealth Government. However, there are already signs of an improvement in the situation, and I am confident that our company will soon resume the steady progress which has characterised it in the past. The knighthood recently conferred upon the Chairman of our Australian company, Sir Edward Hayward, has given great pleasure to all his colleagues.

Your Board has for some time been considering ways of simplifying the structure of the group, in which there are now nine wholly owned subsidiaries and nine associated companies. Whereas Tecalemit Limited has hitherto been both a holding and an operating company, we have come to the conclusion that it would be better to confine its functions to those of a holding company pure and simple, whose Board would be responsible for policy throughout the group. Accordingly, a company called Tecalemit (Engineering) Limited has been formed, and on August 1, 1961, the whole of the trading activities and physical assets of Tecalemit Limited were transferred to it. This has enabled us to appoint some of our senior executives as Directors of Tecalemit (Engineering) Limited. We attach great importance to these appointments and, indeed, generally to the composition of our subsidiaries' Boards.

RECENT ISSUE OF SHARES

It has become increasingly apparent for some time that the continued expansion of the group called for additional permanent capital. The group's bank overdraft, which was £162,885 at the date of the Balance Sheet, rose rapidly after the end of the year, and we have before us several substantial items of capital expenditure—further buildings at Plymouth, a new factory building for British Filters at Maidenhead, the purchase of a second factory in Australia, and the equipping of a new factory at Camborne in Cornwall, which will be leased by the Board of Trade to the company when completed.

Accordingly, as you are aware, since the end of the year the company has issued 1,244,252

Ordinary shares of 5s. each at 13s. per share. The net proceeds of the issue were approximately £790,000.

THE CURRENT YEAR

The results for the first three months of this year are somewhat lower than for the same period last year. However, despite this, and the fact that costs continue to rise inexorably, I think we are entitled to view the future with restrained optimism, subject to the intervention of forces beyond our control—a qualification which was never more necessary than at the present time.

Finally, I need not remind you that good results are not provided by accident. Our Managing Director, our Executives, Staff and Workpeople form an able and energetic team, and I am sure shareholders will be grateful to them for achieving another successful year.

MINWORTH METALS LIMITED

A SATISFACTORY TRADING ACHIEVEMENT

The twenty-first annual general meeting of Minworth Metals Limited was held on December 15th in London, **Sir John Fox, OBE** (the Chairman), **presiding.**

The following is his circulated statement:

Following the general trend of industry the results for the first eight months under review were very satisfactory, but there was a reduced demand from April onwards.

The upward trend of the previous year in the price of Ferro Tungsten was reversed and from an opening price of 12s. 1d. in August, 1960, the price at the year-end had dropped to 10s. 3d. resulting in some loss in respect of stock in hand. This downward trend was inconsiderable but it must be remembered that it followed a stock gain in the previous year. In these circumstances it is satisfactory to be able to report an increase in overall trading and a record trading profit for the year of £191,632. After deducting United Kingdom taxation amounting to £100,172, there is left an amount of £91,460 available for appropriation. It is of interest to note that in spite of the increase in the trading profit for the year, the net profit available is the same. This is due to the increase in profits tax which has effectively prevented your directors from recommending a dividend of more than 30 per cent, which requires £50,376. To simplify the balance sheet, the stock reserve of £25,000 which has been shown in previous years has this year been merged in the general reserve.

Bearing in mind the reduced demand to which I have referred, the Board are satisfied with the trading results to date in the present year.

During the year technical development continued and while no great expenditure for plant and buildings was incurred, plans for expansion are well advanced. Existing buildings and plant were well maintained.

By reason of our existing non-contributory pension scheme, we were not compelled to join the Government Scheme, but your directors felt that it was in the best interest of all personnel to do so, thus providing additional benefits.

Again it is my pleasant duty to thank our management and staff for their efforts throughout the year which have resulted in the satisfactory figures put before you.

The report and accounts were adopted.

PROCEA PRODUCTS LIMITED

A NOTABLE YEAR

DR D. W. KENT-JONES REVIEWS RECORD RESULTS

The 25th annual general meeting of Procea Products Limited was held on December 18th in London, **Dr D. W. Kent-Jones, BSc, FRIC** (the Chairman), presiding.

In the course of his circulated statement the Chairman said that the past year had been a notable one in the Company's history. In addition to carrying out a comprehensive modernisation programme at its principal factory the Company had been able to effect a merger with Nutrex Limited (now a wholly-owned subsidiary), their major competitor in the field of gluten bread. The Board took these steps because it was felt that substantial benefits would accrue from both these operations.

I am pleased to report that our profits are again a record and that, in spite of heavy capital expenditure incurred during the year, our liquid position is as strong as ever. The profit figure was £102,582 after providing depreciation and Directors' remuneration but before tax. The net profits were £49,855 after tax. With the strengthened liquid position we have enough funds to consider further extensions or diversification should suitable opportunities arise and we are also in a position to meet the requirements of Nutrex which in view of certain capital developments is in need of some assistance from us.

The Directors are recommending a final dividend of 9 per cent, so that the total dividend of 14 per cent is the highest so far in the history of the Company.

Commenting on sales, the Chairman said: Sales have been disappointing. However, we have an excellent field staff who are making every effort to promote and increase turnover. Less bread is being eaten due presumably to the country's material prosperity resulting in competition from other foods and due also to persistent propaganda against bread in general. This amongst other things affects the turnover of speciality breads and we find that the experience of both Procea and Nutrex are very similar.

Sales are the lifeblood of any company and you may rest assured that our sales policy is under continuous review. We are still awaiting the Government Regulations to be promulgated as a result of the Food Standards Committee Report on Bread and Flour, which dealt with speciality breads in particular, but we are confident that we shall be able to deal more effectively with these Regulations when issued, as a consequence of the merger, than we might otherwise have been able to do. Further we hope as a result of the development of a wise sales policy, which will be for the benefit of the baking trade in general as much as for the Company in particular, to effect increases in our sales and in so doing make a notable contribution to the industry and maintain the goodwill of the general public.

In conclusion the Chairman said that the merger should be of substantial benefit and that in spite of the problems and challenges, and the fact that benefits from any merger took some time to materialise, they looked forward to the future with reasonable confidence.

The report was adopted.

KENWELL PROPERTY HOLDINGS

SATISFACTORY RESULTS

The Thirty-eighth Annual General Meeting of Kenwell Property Holdings Limited was held on December 14th in London, **Sir Cyril Black, JP, MP, FRICS, FAI,** Chairman, presiding.

The following are the main features from the circulated statement for the year ended June 30, 1961:

Profits and Dividends: Property and general net revenue increased by about £26,000 to £91,133 and the profit for the year, after taxation, increased from £33,827 to £40,196. Your Directors recommend a Final Dividend of 12½ per cent, making a total of 20 per cent, the same as for 1959-60.

Property Developments: Our developments at Gosport, Manchester, Radlett and Wanstead are now completed. The new buildings at Leeds and Luton should be completed during the current year, and we are just about to begin building on our very valuable central site at Bedford. We have taken on four further development schemes at Haydock and Formby, Lancs, and Wallasey, Cheshire, and Chalfont, Bucks. These, together with those already under construction, involve the erection of some 57 shops and upper parts, and two Supermarkets.

Future Prospects: A number of the newly acquired properties were only held for part of the year. In 1961-62 they will contribute a full year's rental income.

My colleagues and I envisage a progressive and prosperous future.

The Report and Accounts were adopted.

THE WELLCOME FOUNDATION LIMITED

SUMMARY OF CHAIRMAN'S REVIEW, 1961

Mr Michael Perrin, CBE, FRIC, Chairman of The Wellcome Foundation Limited, presiding over the annual meeting of the Foundation's Trustee Shareholders held in London on Monday, December 18th, made mention of the steadily increasing pressures which were bearing on the pharmaceutical industry from governments and public opinion to reduce its profit margin and modify its promotional techniques. There was no reason, Mr Perrin said, to suppose that these pressures would diminish, but the special position of the Foundation within the industry, by virtue of its constitution and its relationship with the Wellcome Trust, pointed to the need for it to give a lead on a constructive approach to the criticisms which were increasingly levelled against the methods and profits of the industry.

In spite of the less favourable trading conditions, the total value of the sales of the Wellcome Group had registered a slight increase on the record established last year. While 1961 had seen continued expansion, however, the margin by which the previous total had been exceeded was smaller. Moreover the new sales record had been achieved only with increased expenditure, with the result that profit had fallen short of the figure for the exceptional previous year.

A slight fall in sales in the home market had been offset by an increase in direct exports. Indeed in the field of veterinary products, total sales exceeded those of the previous year by a considerable margin, which was particularly creditable in the absence of any new product of real significance. Moreover, besides increasing sales in the home market, the veterinary division achieved a most encouraging increase in direct exports.

ORAL POLIO VACCINE

Although no important new products had been introduced to the selling list during the financial year, two had since emerged from the Research Laboratories in the United Kingdom which were of particular interest and importance. Both happened to be biological products: the oral poliomyelitis vaccine and the veterinary vaccine 'Covexin.' The decision taken by the Directors of the Foundation in the summer of 1960 to close down work on the production and further development of the Salk type of killed vaccine and to concentrate a major effort on the attenuated living virus vaccine, using Sabin strains, was a difficult one. It had, however, proved to be fully justified and The Wellcome Foundation could claim the distinction of being the first purely industrial company in the world to make large amounts of the oral vaccine, independently tested and approved for sale and export by a national licensing authority, available on a regular commercial basis. In May last the United Kingdom Ministry of Health bought a small emergency stock of each of the three separate types of Sabin vaccine for use if required to control an isolated outbreak of the disease. This was a different problem from that of using the vaccine to confer general immunity on the population and for the eventual elimination of the disease. While the Ministry had not by the end of the Foundation's financial year in August, made any decision about the place of oral vaccine in its immunisation schemes in the United Kingdom, several foreign governments had already made enquiries for very large quantities of the trivalent product and a contract was negotiated with Brazil during August for the initial supply of three million doses. Extensive trials of the new vaccine, involving many thousands of people, had shown without doubt, that the product was both safe and effective and these trials had been widely acknowledged as being a clinical study of outstanding merit.

THE SEVEN-IN-ONE VACCINE

In the veterinary field research and development work carried out over several years, led during October to the Foundation being able to announce the availability of its 'Covexin' System by which the seven major killing diseases of sheep could be controlled by one product. This was the first time in the field of either human or veterinary medicine that so many antigens had been combined in a single vaccine. 'Covexin' was thus not only a scientific achievement, but heralded a revolutionary advance in practical sheep-farming. The combined vaccine would naturally to some extent eat into the sales of individual sheep vaccines, but the lead which it had given the Foundation would provide an over-all advantage. Moreover, having regard to the benefits to animal husbandry and the saving of cost to the national economy, this was the kind of achievement which the Foundation was proud to make.

There were quite a number of new leads emerging from chemotherapeutic research in the United Kingdom and in the USA Company at Tuckahoe, NY, where work continued also on the important cytostatic drugs project which had already yielded useful results.

Research and development naturally cost a great deal of money and the annual total for research expenditure of the Group had increased, so that it had now passed the £1¼ million mark. It was general practice to discuss and compare research costs in industry as a percentage of sales revenue and unfortunately it was difficult to devise any more significant measure. In fact, of course, the outcome of research could not be related directly with the current annual figures for sales and its most important contributions would be shown at unpredictable and often lengthy intervals. The profitability of any particular section of the total sales revenue might also change in either direction, while the actual cost of research and development would tend to increase.

In laying down its research policy, therefore, the Company had first to decide what resources in terms of money, manpower and facilities were available to it and obviously the current profit figures were an important, though by no means the only consideration. Current turnover figures were of less significance. Decisions then had to be taken as to the direction of research and the amount of effort to be deployed on particular projects on the basis of what one hoped to achieve from them. During the year under review the Foundation had given much thought to this problem which was of such critical significance to the Company's future. Mr Perrin added that he believed it should be recognised in the pharmaceutical industry that too much emphasis on the cost and uncertainty of research in relation to the profits that were made, could be misleading.

ACTIVITIES OVERSEAS

A significant change had taken place in recent years in production arrangements, by which the later processes in the chain of production from basic raw materials to finished products, had steadily been transferred to overseas companies. This was a change which had been brought about to meet the increasing tendency of the countries in which they operated to discourage imports of pharmaceutical products and to encourage the simpler kinds of manufacture, by the provision of local facilities.

With the possible entry of the United Kingdom into the European Common Market, a significant feature of the Company's overseas expansion had been the acquisition of the entire share capital of Etablissements H.V. Mees SA, with its associated company, Laboratoires Curia SA, in Belgium.

In South America Laboratorios Burroughs Wellcome do Brasil SA had again doubled its turnover. The Australian and New Zealand Companies continued their progress with new sales records and had improved their co-ordination with the subsidiaries of Cooper, McDougall and Robertson. Both the Pakistan and Indian Companies had shown good results even though their turnover had been limited by restrictions on import licences.

Having regard to the troubled political and economic conditions affecting most of Africa, it was encouraging to be able to report a remarkable increase in the Company's business in the Central African Federation and no decline in its position in East Africa.

The last year had been more difficult than the year previously and though there were some signs of an improvement, it was still not easy to make progress. While this situation persisted, it was of particular importance that work should proceed with maximum efficiency and that operating costs should be kept to a minimum. In this way the opportunity to make another major step forward could be seized as and when it occurred.

SIR GEORGE GODFREY AND PARTNERS (HOLDINGS) LIMITED

MR W. D. L. THEED'S REVIEW

An extraordinary general meeting was held on December 15th in London, **Mr W. D. L. Theed, A.R.Ae.S.** (Chairman), presiding.

The following are extracts from his circulated review:

AVIATION

Our order book is at a very high level and will necessitate the plant working at full capacity throughout the coming year.

With regard to civilian aircraft, we have experienced technical difficulties with the new types of air pressurisation equipment and this has involved the Company in considerable expense. Improved versions undergoing trials for the "Vickers VC-10" will be followed by a further new type for the Short Bros. & Harland "Belfast."

Deliveries of our standard range of cabin superchargers for many aircraft throughout the world have increased, and this satisfactory position should continue.

In the military field we continue to expand and new vapour cycle cooling packages are being supplied for the "Victor" and "Vulcan" aircraft.

ADMIRALTY

Our order book for engine supercharging and cooling equipment is at a record high level and several new types of equipment are in the design and development stage. We can look forward to a very busy year.

GUIDED MISSILES

During the past year a completely new type of cooling pack for guided missiles has been developed and production orders have been received. Existing equipment for the "Seaslug" missile is operating very satisfactorily and we are supplying production quantities for the new range of Admiralty frigates.

INDUSTRIAL

Orders for the many types of equipment continue to maintain the manufacturing capacity at full pressure whilst three new items have been developed during the past year to add to the varied products of the Industrial division.

OVERSEAS SUBSIDIARIES

Australia. The Australian economy has been under severe pressure during the past months and this has had its effect on this year's profits which are disappointing.

The order book is satisfactory, however, and we have every hope of improvement during the coming year.

Canada. The Company has again shown increased profits and your Board are very happy with the results of the year's trading.

South Africa. The profits of the Company have increased, and the prospects, due to the improvement in local conditions, seem to be more satisfactory for the ensuing year.

PROSPECTS

Our order book is now at a higher level than at the same time last year. Labour costs, however, continue to rise and profit margins on some of our products are tending to narrow. Furthermore, replacements and additions to the high standard labour force required for our precision equipment are becoming most difficult.

In these circumstances it is not easy to make a specific forecast, but providing there are no serious set-backs in the aviation field we look forward to satisfactory results next year.

The report and accounts were adopted and the Board's recommendation was approved for a dividend of 17½ per cent, the same as last year.

HEENAN GROUP

ALL PREVIOUS RECORDS SURPASSED

The Fifty-ninth Annual General Meeting of Heenan Group Limited was held on December 18th at Worcester, **Mr Charles L. Hill,** the chairman, presiding. The following is a summary of his circulated statement:

The Group net profit, before taxation, of £663,742 surpasses all previous records and compares with £564,387 last year. After providing for taxation of £365,347 against £281,639, the net profit is £298,395 compared with last year's figure of £282,748.

The whole of the Share Capital of Freeman, Taylor Machines Ltd. of Syston, near Leicester, was acquired during the year for £247,000 and the Accounts under review include nine months' profit from this new subsidiary. Shortly before the close of the financial year the Share Capital of The City Sheet Metal Works Ltd., Leicester, was also acquired for £38,590, both these acquisitions being paid for in cash.

The recommended Final dividend of 8 per cent. (less income tax) will make a total dividend for the year of 13 per cent. But for the Chancellor's appeal, your directors consider they would have been justified, having regard to the profits and to the sound order position, in improving on this rate.

With one minor exception all companies in the Group experienced exceptionally buoyant trading conditions throughout the year and the inflow of orders, including those for export, increased substantially, the year ending with a balance of orders of £5,600,000.

REVIEW OF COMPANIES

Heenan & Froude Ltd. has been hard pressed throughout the year to meet the demand for its wide range of products and measures have been and still are being taken to step up production.

Orders received in the Specialities Division have been well spread over the many product groups and despite keen competition, particularly in the export markets, records have been established in the Engine Test Plant and Industrial Cooler sections with Eddy-current Couplings maintaining the high level reached in the previous year. The municipal Engineering Division has also been heavily engaged in dealing with current orders and in preparing schemes for new projects.

The output from the Gloucester Works of **Fielding & Platt Ltd.** achieved a new peak and covered a wide range of equipment, the year ending with a balance of orders in hand some half a million pounds in excess of the previous year's figure. It is encouraging to note that there has been a significant rise in the percentage of export orders received.

Competition in the foundry trades has been severe but **Court Works Ltd.** maintained its position, ending with a higher order book than a year ago. **Morton Machine Co. Ltd.** and **IWEL Engineering Ltd.** both had a successful year's trading and **Armstrong, Stevens & Sons Ltd.** in its first full year as a member of the Group had a consistent flow of orders for drop forgings including the range of spanners sold under the well-known trade name of "Lion" Brand.

The acquisition of **Freeman, Taylor Machines Ltd.,** specialists in stainless steel plant, is a continuation of the policy of your directors of diversification of products in the field of engineering. The net profits of the latest acquisition—**The City Sheet Metal Works Ltd.,**—have been capitalised.

The chairman also referred to the Merit-rating schemes in operation at the Worcester and Gloucester Works and also to the setting up, in addition to the existing apprenticeship schools, of Technical Training Centres at these Works for the intensified training of selected senior apprentices.

The report was adopted.

THE CENTRAL PROVINCES MANGANESE ORE COMPANY

HIGHER SALES BUT LOWER PROFIT MARGINS

RENEWAL OF MINING LEASES—PROPOSED ARRANGEMENTS WITH INDIAN GOVERNMENT

MAJOR A. C. HERRING'S SPEECH

The fifty-third annual general meeting of The Central Provinces Manganese Ore Company Limited was held on December 15th at Winchester House, Old Broad Street, London, EC2, **Major A. C. Herring, VC, FCA,** the chairman, presiding.

Mr Thomas Williams, ACIS (the Secretary), read the notice convening the meeting and the report of the auditors.

The chairman said:

Ladies and Gentlemen—The Report and Accounts for the year ended December 31, 1960, have been with you for the appropriate period and with your permission I will take them as read. (Agreed.)

Before getting down to the business of the Meeting, I feel I must say a few words with regard to Mr H. R. Holmes who retired from the Board on October 31st last. I am sure the stockholders will regret the retirement of Mr Holmes as much as we, his colleagues, do. His period of service with the Company covers 56 years, starting as a Mining Engineer and later as Managing Director and Chairman in London. At his request, I took over the Chairmanship in 1957. I have been a Director of the Company for over 20 years and during that period it has been my pleasure to meet Mr Holmes at the Company's office most days of the week. I, therefore, can claim to know him well and in my opinion no Company has ever had a more loyal servant, nor have I ever had a better friend. He will be greatly missed at the office.

You will notice that we have appointed to the Board Mr J. V. F. Crowther, FCA, who has done invaluable work for the Company in connection with the negotiations which have been taking place with the Government of India during this year. I am sure that he will be a valuable addition to the Board.

THE ACCOUNTS

I will now deal with the accounts for 1960 which for reasons already explained have been unavoidably delayed. As will be seen from the Profit and Loss Account, the balance on trading for the year was £962,772 as compared with £1,066,885, whilst the net profit fell by £11,238 to £257,767.

We sold more ore in 1960 than in 1959, but unfortunately, due to a very ample supply of manganese ore in the world, and increased costs, the margin of profit was reduced. The actual tonnage of stocks on hand at the end of 1960 was very similar to that at the end of 1959. In view, however, of the falling off in demand, your Board considered it appropriate to write down the stock by a transfer of £200,000 from the ore stock reserve which now stands at £500,000. During the year it was necessary to sell some of our investments to finance the mining operations and discharge taxation liabilities.

THE CURRENT YEAR

So far as the year 1961 is concerned, it looks as though the volume of our sales will amount to a figure somewhat similar to that of 1960, but there has again been a further decrease in the margin of profit, and we expect that the result for 1961 will show a further reduction.

It is of interest to note that, whereas in the past our sales of ore for consumption in India have been negligible, they have assumed a substantial level in 1960 and show a further advance in 1961. This is due to the fact that India now has several ferro-manganese plants in operation.

A great deal has been written in the papers about the recovery in the United States of America, but I regret to say that so far this has not resulted in an increased demand for our manganese ore. Among the reasons for this are the very large stocks of ore still held there and the supplies they are now receiving from new properties which have come into production and in which they are financially interested.

Mr Hardy has paid visits to India in order to inspect the Mines and also to maintain our close collaboration with the State Trading Corporation of India. I am glad to report that he found the Mines in good condition.

Diamond drilling has been undertaken at Gumgaom and New Tirodi Mines and normal exploration work at Gumgaom and Ukwa Mines. The cutting of the ore bin on No. 6 level Holmes Shaft, Balaghat Mine is now in progress. The first level below plain level at South Tirodi Mine has been opened up disclosing that the ore bodies continue to be of very good quality. It was only found necessary to run the H.M.S. Plant at Dongri Buzurg Mine for 2½ months during the year. It has been maintained in excellent order. The re-opening of Beldongri Mine has continued satisfactorily and it will shortly be ready for production.

PROPOSED ARRANGEMENTS WITH INDIAN GOVERNMENT

I now refer to the proposed arrangements which are under discussion with the Government of India. You will have seen from the circular letters of May 18, 1961, and August 31, 1961, that certain difficulties had arisen with regard to the renewal of the leases of some of our properties. Some of those in the State of Maharashtra came up for renewal as at March 31, 1961, but the Government of India considered that, in the light of the Industrial Policy Resolution of 1956 and the amendments to mining legislation, the last of which was in November, 1960, it was not possible to grant renewals.

Your directors had been in close contact with Government officials concerning the leases for some time, but it was not until March, 1961, that your Company was notified that renewals would not be granted. It thus became essential to take immediate steps to establish an interregnum during which discussions might take place and this was accordingly done.

The position was one that could have been settled either by legal action in India or by an arrangement which would be satisfactory to your Company and to the Government. If the first alternative were adopted there is little doubt that the proceedings would be prolonged, perhaps over some years during which time the business of your Company would have suffered severely and, as a consequence, both parties would have been materially damaged.

It therefore seemed to your Board that your best interests would be served by making an arrangement for the full use of the Company's assets through the joint participation by your Company and the Government of India in the manganese ore industry, particularly as the bulk of the remaining leases of the Company were due for renewal during the next 2 years.

I think it may be helpful to you if I expand the information contained in the Directors' Report. It must, of course, be appreciated that there are still many details to be settled before the terms of the proposed agreement can be put before you in full.

DISPOSAL OF ORE STOCKS

The disposal of the existing stocks of ore for the benefit of your Company should result in a considerable amount of cash accruing, even after paying taxation on the profits on realisation.

The complete disposal of these stocks will take some years and will be dependent entirely upon the world demand for manganese ore, but it is evident that a considerable part of the stocks should be realised in the first year, provided orders are maintained, because the new rupee company will not have had the opportunity of delivering to ports the requisite amount of ore to cover the full year's operations. It follows from this that although your Company will collect cash from the sale of this ore, it is probable that the new rupee company will make profits in the first year or two at a rate lower than the profits from a normal year's working. Thereafter, if the manganese ore industry is prosperous and there is full co-operation between the rupee company and the Central Provinces Manganese Ore Company, the new company should be able to achieve satisfactory profits which will enable dividends to be paid to your Company on its holding of shares.

Your Company will be directly concerned with the sales organisation and co-operate in the management of the new rupee company. It is intended that the new company will employ in respect of the mining areas taken over the existing staff in India, and our Agent and General Manager is to be the first Managing Director of the new company.

I would again like to thank Messrs James Finlay & Company Limited for their usual valuable co-operation.

I am sure you would wish me to convey to all our staff, both here and in India, your thanks for their unremitting good service during these difficult times.

CHAIRMAN'S RETIREMENT FORESHADOWED

In conclusion, I wish to mention that in accordance with the views expressed to my colleagues some considerable time ago, I wish to retire from the Board, but I felt that I should not do so until arrangements with the Government of India had reached at least an advanced stage. I anticipate resigning in the near future. I would therefore like to take this opportunity of thanking my colleagues and the staff both in India and London for their loyalty and support which has always been forthcoming.

I am very pleased to announce that Mr W. A. Hardy will succeed me as Chairman. Mr Hardy joined the Company in 1923 and was Agent and General Manager for 6 years. He joined the Board in 1954 and has been Joint Managing Director since 1956.

I will now move "That the Report of the Directors and Statement of Accounts as at December 31, 1960, be and are hereby approved and adopted, and that the profits be appropriated as recommended by the Directors."

I will ask Mr Hardy to second the motion and before putting it to the Meeting will do my best to deal with any questions which stockholders may wish to ask.

Mr W. A. Hardy seconded the resolution which was carried unanimously.

The retiring directors, Mr J. V. F. Crowther, FCA, and Major A. C. Herring, VC, FCA, were re-elected and the remuneration of the auditors, Messrs Cooper Brothers & Co., having been fixed, the proceedings terminated.

PAHANG CONSOLIDATED

LARGER PROFIT

The 55th Annual General Meeting of The Pahang Consolidated Co., Ltd., was held on December 14th in London, **Mr J. N. Davies,** chairman and managing director, presiding.

The following is an extract from his circulated statement:

Your Board has pleasure in announcing a satisfactory result *for the year ended July 31, 1961.* **The working profit for the year is £395,550 compared with £337,640 for the previous year. After providing for taxation and depreciation there is a net profit for the year of £222,583. Your directors recommend a final dividend of 1s. 3d. per stock unit (25 per cent) making a total of 1s. 9d. per stock unit (35 per cent) on the Ordinary Stock.**

In the year under review, the last ten months of which were free of restriction, 197,000 tons of ore were mined, raised and treated to produce 2,411·059 tons of mill tin oxide as compared with *166,000 tons of ore and 2,252·524 tons of* mill tin oxide produced last year. In the same period a return to alluvial production by tributers was accomplished and 6·086 tons of alluvial tin were sold.

Considerable calls upon the Company's resources are likely in the near future. *The* Baker Shaft will involve considerable capital expenditure and if the possibilities at the Paloh Lode in Malaya and at the Cligga Mine area in Cornwall develop as we hope, further large sums will be required. With this in view your Board feel it is essential to conserve our considerable liquid resources.

The report and accounts were adopted and the re-election of Mr G. H. Fairmaid, MIMM, was duly passed.

CHAIRMAN'S ADDITIONAL REMARKS

As you are aware, a Circular Letter has been received by some Members of the Company from three gentlemen resident in Singapore and Malaya in which support is sought for a plan to bring pressure upon your Board to influence a change in its present policy and to obtain the appointment of two Malayan Directors on the Board. A copy of this Circular Letter is available for any Member wishing to see it.

Nominations were also received for two gentlemen to be elected to the Board, but these nominations did not comply with the Company's Articles of Association and your Board was advised by Counsel that the nominations were invalid.

The Board are very grateful to Members for the response received to the Circular Letter of December 1, 1961. *1,635 valid proxies, representing 1,705,723 votes, have been lodged in favour of the Board; 14 valid proxies representing 185,500 votes have been lodged in favour of other persons. 108 proxies, representing 405,100* votes, were also lodged in favour of other persons but they were lodged within the 48-hour period and so *were not valid. Even if we include the* proxies lodged out of time, it will be noted that 1,635 Members supported the Board and only 122 Members *supported other persons and that* 1,705,723 votes were lodged in favour of the Board as against 590,600 in favour of other *persons.*

To conclude these additional remarks, I now give details of today's market value of the Company's investments:

Government Securities ...	£577,563	82%
Investment in other Tin Companies	£77,032	11%
Industrial Equities ...	£48,473	7%
	£703,068	100%

ALLIED LEATHER INDUSTRIES

The annual general meeting of Allied Leather Industries Limited was held on December 15th in London, **Mr H. G. Barlow** (chairman and joint managing director) *presiding.*

The following is an extract from his circulated statement:

The consolidated accounts show a Group *Trading Profit of £148,627 which, after the provision of £77,880 for Profits Tax and Income* Tax, leaves a net profit of £70,747.

The Board considers that it is desirable to bring the issued capital more into line with the capital employed in the business and will be putting before stockholders a proposal for the capitalisation of some part of our reserves before the close of the present financial year.

Tanners of sole leather have had a period of *stability, although at a low rate of production.* They have kept their input in line with demand and stocks of finished leather have been reduced *to normal cover, yet the majority have failed to* recover a reasonable return on the capital employed.

Having referred to the reasons which had made it necessary to close the Western tannery at Bristol, the chairman continued:

The repair side of our business was helped *considerably by the weather and we hope that* investments we have made in larger and better positioned premises will bear fruit in the future, *although higher costs continue to eat into* margins.

We have managed to extend our export trade in fancy leather goods, but both export and home sales have been restricted by the shortage of skilled labour.

The report was adopted and a total distribu*tion of 15 per cent for the year was approved.*

JOHN SMITH'S TADCASTER BREWERY

INCREASED GROUP SALES

The Sixty-ninth annual general meeting of John Smith's Tadcaster Brewery Co. Ltd was held on December 18th at Tadcaster, **Mr W. H. D. Riley-Smith, TD,** chairman, presiding.

The following are extracts from his statement:

The past year has been one of continuing expansion of your Company, during which the old established concerns of The Barnsley Brewery Company Limited and Yates's Castle Brewery Limited joined John Smith's Group.

The sales of all companies in the Group showed increases. There is now greater scope for the interchange of products offering a wider choice to our customers and the popular Magnet Pale Ale is available over a much wider area in the north. Higher turnover in our Managed Houses and in our Wines and Spirits Department also contributed to the increased profits.

Your Company has entered into an agreement with Carlsberg for the bottling of their lager at Tadcaster whilst continuing to bottle Alken lager from Belgium, which is part of a reciprocal trading arrangement.

The profit before taxation was £2,094,370, of which taxation absorbs £1,081,485, representing *10s. 4d. in the £, reflecting increases in the* rates of Profits Tax which, over the period of the Accounts, average 13¾ per cent. Future profits will be liable at the current rate of 15 per cent.

The Directors recommend the appropriation of £479,956, to Reserves, and a final dividend of 10½ *per cent on the ordinary* share capital, which makes a total distribution of 14½ per cent for the 52 weeks. Your Board considers that the small increase of 1 per cent on the dividend over the forecast of 13½ per cent at the time of the last merger is consistent with the Chancellor's request for restraint in dividend policy.

The liquid position is quite adequate for commitments already entered into and others which are under consideration.

During the year under review, we enjoyed more reasonable weather than that of 1960, at the same time we have had to endure a duty surcharge imposed by the Chancellor of the Exchequer. Our trade has always been the bullseye, whether the target is to increase Government Revenue or to curtail public spending and whilst there has been a welcome increase in output during the past twelve months I feel that it is a sign of the public's reaction to the chopping and changing of duties and surcharges that there is a marked swing towards draught beer, whilst the demand for bottled goods tends to flatten out. It is to the higher quality draught beers that the public is turning.

A forecast of prospects for the current year is, therefore, difficult and in the present economic situation one would hesitate to be unduly optimistic. In the case of your Company, however, as the merger with Barnsley and Yates only became effective in July last the past year's figures cannot reflect the advantages of operating common policies and the benefits of rationalisation which will take time to materialise and will be seen in future years.

You should have received details of the proposed merger of your Company with Warwicks & Richardsons Limited.

The report and accounts were adopted.

ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY

STRONG GROUP ASSET POSITION

The twenty-eighth annual general meeting of the Anglo-Transvaal Consolidated Investment Company, Limited, was held in Johannesburg on Friday, December 8, 1961.

Mr S. G. Menell, the Chairman of the Company, presided, and in the course of his address to members said:

The Consolidated Profit and Loss Account shows revenue of R2,955,000 of which almost half came from dividends received. After deducting interest paid, depreciation on fixed assets, expenditure on exploratory work and providing for taxation, the net profit was R2,012,600.

We provided R700,000 for depreciation of our investments and also R76,000 for the reserve for exploration. Dividends at the same rate as last year accounted for R1,309,200. The Consolidated unappropriated profit carried forward was R1,339,600 against last year's figure of R1,413,400. Your Board has decided that in future consideration will be given to the payment of interim dividends.

The strong position of the Group is reflected in the Net Asset figure of R14,841,400 as shown in the Balance Sheet, which is represented by the parent Company's total Issued Capital of R5,901,800 and Revenue Reserves amounting to R8,939,600.

RENEWED LONDON INTEREST IN GOLD

In the past year far-reaching constitutional changes have occurred in South Africa. The country has adopted a Republican form of government and is no longer a member of the Commonwealth. These changes were coupled with an increased loss of confidence on the part of the overseas investor with the consequent drying-up and withdrawal of capital, which has only been stopped by the imposition of severe restrictions by the Government.

The favourable progress made here in restoring the country's reserves gives ground for encouragement in the belief that modifications in the Exchange Control Regulations will not be unduly delayed.

There is in London a renewed interest in the behaviour of South African gold shares, an interest apparently in converse ratio to the amount of share dealing, although there has recently been a certain amount of buying from American and European sources. This interest is well founded and I hope it precedes substantial purchasing, for South Africa is still a good field for investment and offers great potential. Gold production will this year exceed 22 million fine ounces—a new record—and indications are, since new mines have yet to come into full production, that the amount of gold produced over the next few years by South Africa will steadily increase.

ATTRACTIVE YIELDS ON GOLD SHARES

Apart from the incentive to the overseas investor of high dividends and attractive yields there is the further favourable feature associated with South African gold shares that development work at most mines is several years ahead of the mill and this provides advance information about the ore available for milling for as long as five years or more ahead.

It is encouraging to note that recommendations for a higher gold price are now emanating from many influential sources and that there are frequent reports that the volume of private gold hoarding is progressively increasing.

The political unrest which has affected so many parts of Africa in the past year has had no disturbing repercussions on the industry's African labour force. Rather has there been a tendency for the native tribesmen to flee from areas where changes have occurred, and to seek work on the gold mines, where they are offered an ordered and protected way of life and enabled to earn money to remit to their families.

Furthermore, our country's sound economy has been demonstrated by the manner in which South Africa has weathered the recent financial crisis.

Since the end of World War II, South Africa has undergone a phenomenal growth. The last few years, however, have brought a slowing down of the rate of our expansion due in some cases to the play of economic forces, but most of it due to a hesitation on the part of consumers and investors here and overseas.

THE INDUSTRIAL CREDIT COMPANY, LIMITED

A YEAR OF CONTINUED EXPANSION

At the twenty-eighth Ordinary General Meeting of the shareholders of The Industrial Credit Company, Limited held in Dublin, on December 14, 1961, the Chairman, **Dr J. P. Beddy,** in the course of his statement said:

The year under review has been one of still greater expansion in the Company's business than in either of the two preceding years when the volume of business increased greatly because of the adequate capital resources made available to the Company through the provision of share and loan capital by the Minister for Finance and also because of funds provided by the Banks as loan capital guaranteed by the Minister. Total assets at over £11 million have increased during the year to October 31, 1961 by £2.8 million which is greater than the increase of £2.2 million in the preceding year. This increase has been financed partly by profits but mainly by an increase of £2.2 million in issued and paid up share capital and by repayable Exchequer advances of £400,000. Both of these sums have been provided by the Minister for Finance. Commitments have also increased; they amount to £9.3 million which is in excess of the amount shown on the previous Balance Sheet by £3.2 million.

Total assets and commitments have, therefore, increased by £6 million and this reflects by far the greatest expansion which has taken place in the Company's business in any year up to the present.

The main increase in assets is in secured loans which rose by over £2½ million (or 64 per cent) representing new loans of approximately £2¾ million, less loan repayments and sundry small items amounting to over £200,000.

Investments increased by £270,000. This sum in the main represents the difference between investments of £445,000 acquired during the year and investments which were sold during the year at a profit of over £20,000.

Satisfactory progress continues in our Hire-purchase Department. The Balance Sheet figure for machinery, equipment and chattels under hire-purchase contracts has increased by 60 per cent from £359,000 at October 31, 1960, to £575,000 at October 31, 1961. Commitments have also increased substantially.

In the capital market, conditions generally have been favourable to our operations. During the year we sponsored two public flotations for capital amounting to £769,000. Both of these flotations were over-subscribed. We also underwrote a share issue for £100,000 confined to the shareholders of the Company concerned and this issue was also successful.

Gross revenue at £438,000 is greater by £92,000 than that of last year. The increase is due principally to interest on loans but revenue from dividends, hire-purchase finance charges and underwriting activities also rose. Expenditure increased by over £4,700 because of additional staff and of exceptional non-recurring expenditure on repairs to buildings. Profit at £386,000 is up by £87,000, or 29 per cent, and is a record figure for the Company. From Profit is deducted Bank and loan interest of £111,100, which is greater than that of the previous year by £12,700 because of increased loans and increases in interest rates. Provision for taxation amounts to £95,000 and these two items absorb 53 per cent of Profit, leaving £179,994. It is proposed to transfer £175,000 to Reserves, thereby bringing total Reserves to £788,872, leaving £4,994 as an addition to the Carry Forward.

The Report and Accounts were adopted.

HERRBURGER BROOKS

(Makers of Piano Actions, Keys and Hammers)

STEADY PROGRESS OVERSEAS

The forty-first annual ordinary general meeting of Herrburger Brooks Limited was held on December 19th in London, **Mr C. W. P. Hughes** (Chairman and Managing Director) presiding.

The following is the chairman's circulated statement:

Your Directors are pleased to report that the Accounts for the year ended June 30th last indicate that the recovery of the previous year has been maintained although higher working costs have narrowed the profit margin. In view of these results they again recommend the payment of a Dividend of 15 per cent, less tax.

The financial measures taken by the Government to curb inflation have tended to slow down the Piano Industry in common with other trades. Nevertheless your Company has taken every opportunity to extend business with overseas buyers and with this in view has again participated in the Frankfurt Fair in addition to the Piano Section of the Radio and Television Exhibition at Earls Court. I am pleased to report that we are satisfied with the steady progress of our overseas trade and are hopeful that the widespread publicity campaign now being undertaken by the Piano Industry will have a favourable effect on the home market.

In conclusion I would express to all engaged in the business of the Company, appreciation of their efforts and thanks for their excellent services.

The report and accounts were adopted.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA

PROFITS REACH NEW RECORD

The Annual General Meeting of The Consolidated Gold Fields of South Africa, Limited, was held in London on December 14th.

Sir George Harvie-Watt, Bart, TD, QC, the Chairman, presided, and in the course of his speech, said:

At June 30th this year the assets of the Group, taking Stock Exchange value for quoted investments, totalled approximately £58 million. Of this total 66 per cent was represented by interests in Southern Africa. North America accounted for 10 per cent and Australia 6 per cent. Most of the remaining 18 per cent was accounted for by interests in the United Kingdom.

Although our dependence on gold mining is still considerable, there has been continued progress towards diversification within the mining sector of our assets. At June 30th last, gold mining accounted for 71 per cent of our quoted investments compared with 77 per cent at the end of the previous year.

Partly as a result of our acquisitions in 1959, we now have within the Group a number of industrial companies. These interests in the United Kingdom, North America and South Africa, together made a substantial contribution to Group earnings amounting to £863,000 during the period under review. Our success in this field testifies to the advantages of diversification into spheres where our knowledge of metallurgical and other technical processes can be put to good use.

Profits for the year, before taxation, amounted to £6,826,000—an increase of nearly £1½ million over the previous year. I feel sure you will agree that this is a most successful result.

Your Directors recommend the payment of a final dividend of 3s. 9d. per Ordinary Share, less tax, thus maintaining the previous year's total of 5s. per share, but on a capital enlarged by last year's one for ten capitalisation issue.

A RIGHTS ISSUE

The increase in our activities in America and Australia has had an important consequence. We are becoming much better known in these continents and, as a result, more business is being brought to us. The opportunities for profitable investment in those countries are very great and, in order to be in a position to take prompt advantage of these opportunities, it is essential that the Group should strengthen its cash resources. It must be remembered that a considerable part of our present cash reserves is earmarked for the many new projects on which we are now engaged. Accordingly, it has been decided to raise further money for the parent company, which will be available to the Group as a whole, by a rights issue at the end of next month. The amount to be raised is approximately £1,570,000.

The indications are at present that the operating results of the Group in the current financial year will justify the payment of dividends during 1962 on the increased capital at a rate not less than for the past financial year.

The past year has been one of further expansion. We expect the current year to see that expansion continued. The Report and Accounts were adopted.

SUNGEI BAHRU RUBBER

The twenty-ninth annual general meeting of The Sungei Bahru Rubber Estates, Limited was held on December 19th in London, **Mr J. R. Tannock** (the chairman) presiding.

The following is an extract from his circulated statement:

Group profits, before taxation, fell by £11,443 to £69,800. Owing to the decline in the price of rubber, the proceeds of sale fell by no less than £31,941 despite an increase in crop of 90,000 lbs.

At an Extraordinary General Meeting you will be invited to sanction a bonus issue of two new 2s. shares for each share originally held. The bonus issue will be effected by capitalising £60,000 from General Reserve and £112,922 from the Capital Reserve, leaving balances of £20,000 and £52,432 respectively on the two Reserves.

During the year the last remaining old seedling rubber on Home Division was felled for replanting in the Autumn with clonal seed. There remains on Lubok China Division some 338 acres of old seedling rubber and this will be dealt with over the next 3 to 4 years as present immature areas are brought into production. The wisdom of following a progressive replanting policy is borne out by figures of estimated future crops recently furnished by the Manager, they are as follows: 1961/62 1,650,000 lbs, 1962/63 1,800,000 lbs, 1963/64 2,100,000 lbs, 1964/65 2,350,000 lbs, and 1965/66 2,500,000 lbs.

The report was adopted and a dividend of 8d. per share approved. The proposed scrip issue was also sanctioned.

COMPANY AFFAIRS

Montague Burton

This week's preliminary statement from Montague Burton had been eagerly awaited, as the directors had said in June that they hoped to include with the results the new property values *arising from* the revaluation. On this the shares attracted a good deal of interest and their prices soared. The surplus thrown up by the revaluation, however, exceeded most expectations and the shares rose still further, with the ordinary gaining 7s. to 107s. and the "A" shares 6s. 6d. to 97s. 3d. on the news that as a result of this surplus the directors are to make a three for one scrip issue.

Profits before tax for the year to August 31st rose from £3,810,000 to £4,281,000 and after a higher tax charge net profits rose from £1,890,000 to £2,161,000, but the dividend remains unchanged at 27½ per cent. Clearly the group has continued to keep pace with the clothing boom both through its multiple tailoring and its department stores, which include Peter Robinson and the more recent acquisition, Browns of Chester. Mr L. Jacobson, the chairman, says that trade this year has been maintained and the directors are cautious but confident about immediate prospects. In the long term it remains to be seen how the company can develop the full earning power of its valuable properties. This could mean a link with a property developer, a move already taken by Woolworth and GUS among other store groups. But the directors are now talking *about* "the introduction of new capital." It does look however as if multiple tailoring alone is not able to earn on the properties returns which other trades can earn—and which will be necessary in the long term to justify the present low yields of 2½ per cent on the ordinaries and 2¾ per cent on the non-voting "A" shares.

British Oxygen

British oxygen depends both on the level of steel output and on the rate of capital development *within* the steel industry. The use of oxygen in British steel making is rising and the new capacity in which it is used is the least likely to be under-employed when steel production turns down. The installation of oxygen-making plants in steel works, on the *other* hand, appears to be less profitable to British Oxygen than direct sales of oxygen. Even though steel production fell, British Oxygen's total *sales* rose in the year to September 30th, from £59.8 million to £62.5 million, but operating costs rose from £45.5 million to £48.7 million. So, too, did the depreciation charge—by £479,000 to £5,226,000—so that gross profits were 9½ per cent lower at £8,610,000, against £9,516,000. The directors say that "the *increase* in home sales was insufficient to meet additional costs, particularly depreciation charges on new installations not fully productive." Overseas, where business went well in 1959-60, BOC was also faced with *rising* costs and its trading results were "uneven."

It is not surprising that the dividend has been left effectively unchanged at 10¾ per cent on the capital as increased by the rights and scrip issues. Investment allowances credited against taxation rose from £350,000 to £1,100,000 and the consequent reduction in the tax charge left *net* profits, at £4,717,000, 6½ per cent higher than the 1959-60 figure of £4,427,000. The dividend *on the increased* capital is again covered almost 2½ times, but a cash flow of about £8 million does not adequately cover the group's capital expansion programme, which was estimated a year ago to *cost* about £40 million *over three* years. This helps to explain why at 15s. 3d. the 5s. ordinary shares are now close to *their low point* for the year. But they still yield only 3½ per cent.

Turner and Newall

In *keeping* with its policy of widening its interests into materials both rival and complementary to *asbestos* Turner and Newall acquired British Industrial Plastics in January and profits *from* BIP *and* Stillite Products (which make mineral wool products) have contributed all but £68,000 of the increase in Turner and Newall's trading profits from £13,637,000 to £14,779,000 in the year to September 30th. But the new acquisitions have not, in fact, made an impressive showing, for their contribution of £1,074,000 compares with earnings of £1,220,000 in 1959-60. This was not unexpected, for the interim statement last May revealed that British Industrial Plastics' profits had fallen *even* though sales had been maintained. It also said that in the first half of the financial year the group's mining and manufacturing interests earned higher profits.

The full results, which show net profits slightly lower at £7,511,000 against £7,535,000, suggest that in the second half of the year demand *may* have declined; this could well be so in the case of Ferodo, which makes brake and clutch linings, *though* it started the year with a full order book. In the building field, demand has probably been well maintained, but there may be some decline from *peak levels in the* current financial year. But although competition from new materials increases, new applications are being found for asbestos; for example, it is now increasingly used in pipes and flues. The company now has plants *in* many overseas countries where there is ample scope for the use of asbestos as the standard of living improves. For indications of current prospects shareholders will have to wait until the full report appears at the end of January. Meanwhile the shares, which are not without some political risk as Turner and Newall has mines in Southern Africa, are not far above their low point for the year and at 58s. 6d. yield just over 4 per cent on the effectively maintained dividend of 12 per cent. This dividend is payable on the capital as increased as a result of the BIP acquisition and is covered just over twice by earnings.

Dorman Long

Investors were distinctly apprehensive about Dorman Long's results after a fortnight's tale of lower profits, and the shock of a cut dividend by the Steel Company *of Wales.* Dorman Long's margins have been narrow in recent years; in 1959-60 its profits were disappointing and there were suggestions that its trading profits might fall in 1960-61 below £12 million, compared with just over £14 million in 1959-60 and news of imminent redundancy at the Cleveland plant did nothing to alleviate such *misgivings*. A fall in profits of no more than 6½ per cent to just over £13 million was therefore welcome news. The Dorman Long group is believed to earn almost three quarters of its profits from its structural steel interests, and presumably this side of the business has continued to do *well.* The depreciation charge was barely changed at £4,763,000 and as the tax charge fell from £4,476,000 to £3,582,000 *and* loan interest from £757,000 to £594,000, net profits, too, fell by *only* 6½ per cent, from £2,599,000 to £2,437,000. A final payment of 6½ per cent maintains the total dividend at *10 per cent* and the cover is barely reduced, at 2.4 times before investment allowances.

The £1 ordinary shares gained 2s. 1½d. on the profits and at 24s. 6d. yield nearly 8½ per cent. This is high, even for a steel share, and must largely reflect the heavy burden of the group's capital programme. Expenditure *in the next* five years is put at £43 million and the current cash flow of little over £6½ million is well below what will be needed. Dorman Long may well have to come to the market in due course.

Westinghouse Brake

In 1959-60 the profits of Westinghouse Brake and Signal were affected by a fall in demand for railway equipment and a fall in sales of *motor-scooters.* The interim report in August said that profits were *running* below the level of the *previous* year but a *maintained* dividend of 11 *per cent* was promised "unless there was a deterioration in the general course of trade." Such a deterioration has evidently occurred for the dividend has been cut to 9 per cent. Trading profits in the year to September 30th fell by 27 per cent, from £2,395,000 to £1,747,000. Heavier bank overdrafts have raised the interest charge from £186,000 to £358,000 but the British tax charge was *virtually* halved, bringing total tax down from £1,089,000 to £606,000. Even so, net profits fell by 31 per cent,

from *£1,107,000 to* £764,000, leaving the smaller dividend covered 1.6 times.

The decision to cut the dividend may well have reflected not only the sharp decline in earnings but also the cancellation in October of the contract to supply vacuum brakes to the British Transport Commission. Both the latest results and current prospects are depressing, particularly when account is taken of the effect of investment allowances on tax and hence in net earnings in 1960-61. It remains to be seen whether Westinghouse's new products are yet bringing a "proper *return*" on the capital invested and whether, indeed, it is now earning a profitable return on its venture in "Vespa" scooters. After the results were announced, the £1 shares fell to 22s., their lowest point this year. They have since recovered to 23s. to yield almost 8 per cent.

United Breweries

United breweries, helped by the guiding hand of Mr E. P. Taylor, has won a *reputation* for growth through acquisitions of other breweries, but its attempt to extend its sphere of influence into the south of England failed when Courage Barclay Simonds won the struggle for Bristol Brewery Georges earlier this year. In common with other brewers, United reported higher profits in the year to September 30th—£2,781,000 before tax, compared with £2,485,000 in 1959-60. The chairman, Mr H. L. Bradfer-Lawrence, says, however, that these figures are of little significance in view of the changing structure of the group. Perhaps more significant is the increase in the final dividend from 5½ to 7½ per cent to *make* a total of 12½ per cent; although the cover has fallen from 2 to 1.6 times the full report implies that there are big economies to come from integration.

Sales rose by 8 per cent in 1960-61, appreciably better than the national average; this probably owes much to the growth in the group's outlets. Sales of "Carling" lager doubled over the year and the chairman is confident that the lager market will grow steadily. The group now has over 2,400 licensed premises and if its latest offer for Hewitt Brothers of Grimsby is successful that total should approach 2,900. As the group expands, integration poses difficulties, including what Mr Bradfer-Lawrence calls "a period of organisational indigestion," but apparently real economies in administration, warehousing and distribution have already been *obtained.* The balance sheet reveals the price of the rapid rate in expansion: bank overdrafts have risen from £2,737,000 to £3,119,000 and to reduce *this* debt the directors have announced an issue of £2 million of 6¾ per cent debenture stock at 99, redeemable in 1980. United Breweries is still a regional, rather than a national, group and not surprisingly the yield of 4¾ per cent offered by the 5s. shares at 12s. 9d. xd. is higher than the returns offered by the shares of the true giants of the industry.

Teacher (Distillers)

In the past four years the profits of Teacher (Distillers) have see-sawed from £742,000 in 1957-58 to £867,000 in 1958-59 down to £737,000 in 1959-60 and now up to *£914,000* in the latest year which ended on September 30th. With the latest rise in profits came an increased dividend of 14 per cent (against 12½ per cent); after larger charges for depreciation and tax this is covered 2.7 times against 2.5 times. The sharp rise in profits in 1958-59 stemmed primarily from the speeding up of shipments of whisky to avoid a threatened dock strike. This boost to profits was followed by a corresponding reduction in 1959-60.

It seems possible that some of the latest profit increase can be attributed to *exceptional circumstances* of a similar character for Distillers reported heavy buying of both whisky and gin before the Chancellor's 10 per cent increase in excise duty in late July and sales declined immediately after the heavier duty was imposed. The latest *results* also reflect the first year's trading without Teacher's retail outlets in Glasgow and the benefits from the acquisition a year ago of the Glendronach Distillery. Stocks from the latter should be of great value for blending with *the* additional supplies from the expanding Ardmore Distillery. The market's expectation of Teacher's growth prospects is shown in the yield of under 3½ per cent on the 10s. shares, which at 41s. 3d. stand close to their 1961 peak.

Smith's Potato Crisps

The results of Smith's Potato Crisps are often at the mercy of the cost and quality of the potato. In the six months to end September profits have been "severely reduced" in the face of a small increase in sales because of much higher costs. In particular potato costs were £353,000 above those for the *corresponding period* in 1960. While the interim dividend is maintained at 15 per cent the directors say that the amount of *the* final payment, which amounted to 40 per cent in 1960-61, will depend on the full year's results. These are likely *to* be "disappointing" even though a better start has *been made* to the second half of the year. But the directors think that it is unlikely that any *improvement* in profit margins in the second half of the financial year will be sufficient to offset the poor results for the first six months. The market's reaction to this news was to *mark* the shares down sharply by 9s. 9d. to 69s., at which the yield would be 3.9 per cent on the 1960-61 payment of 55 per cent, covered twice by earnings. In the past two years the yield has often been lower, but the question now is whether it is high enough *in* view of growing *competition* and of the possibility *that* Smith's may not be able to finance its big capital expenditure programme from its own resources.

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

After considerable activity in Unilever before the weekend and in Imperial Chemical Industries and Courtaulds on Monday following the news of the proposed merger the stock market has assumed a more seasonable pose and by Wednesday evening dealers reported that markets were "extremely bright." The quieter note came earlier to the gilt edged market which had been very active on news of the Government's conversion operation. The assented stock to the new 6 per cent Conversion 1972 gained ⅛ to 99 1/16 and Treasury 5½ per cent 2008-12, which had risen sharply the previous week, gained a similar amount to 84⅞. Elsewhere prices were generally lower and 3½ per cent War Loan lost 3/16 to 51 15/16.

With all three leaders in the news included in *The Economist* indicator the rise of 1.2 points to 356.7 reflects in part the rise in Courtaulds of 10s. 9d. to 40s. and the lesser falls of 5s. to 48s. in Unilever and of 1s. to 57s. 3d. in Imperial Chemical Industries. Equities generally were helped by reinvestment buying following the heavy selling of Unilever by British investors in face of keen demand from the United States.

Among chemicals the ICI move has brought rumours of take-over interest in Fisons and the shares have gained 5s. 6d. to 36s. 6d. Elsewhere electricals have shown useful gains with Decca up 5s. at 78s. and EMI up 1s. 9d. to 44s. 9d. ICT moved erratically following the good results and in anticipation of a Government statement on decimal coinage, but finally finished 10s. higher at 108s. 6d. Other *companies* likely to benefit from the extra business from such a move such as Elliott Automation and Lamson Industries all showed useful rises. The feature in the store section was the sharp jump in Montague Burton following the property revaluation and scrip issue which gained over the week 9s. 9d. to 107s. The "A" shares gained 9s. 6d. to 97s. 3d. By contrast Marks and Spencer "A" lost 3s. 7½d. to 100s. and Woolworth 2s. to 50s. 3d. Shipping shares drifted lower and P and O deferred fell 1s. 1½d. to a new low of 27s. 6d., while in tobacco the news of the acquisition of J. Wix boosted Gallaher by 4s. 4½d. to 39s. 9d., but Imperial Tobacco lost 1s. 10½d. to 62s. 1½d.

The bomb outburst in *South Africa* over the weekend brought sharp falls in Kaffirs on Monday but prices improved later; over the week Western Holdings lost 5s. 4½d. to 124s. 7½d. and Free State Geduld 4s. 4½d. to 96s. 10½d. Among finance houses Anglo American Corporation lost 3s. 1½d. to 140s. but CASTs gained 9d. to 16s. 3d. following news of the American loan for the Volta River project. Interest in copper shares centred on RST and Roan Antelope following news of the proposed merger and the former gained 2s. 1½d. to 10s. 4½d., but the latter after falling to 3s. 9d. showed a net gain of 3d. at 4s. 10½d.

LONDON AND NEW YORK STOCKS

Prices, 1961 High	Prices, 1961 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 13, 1961	Price, Dec. 20, 1961	Net Yield, Dec. 20, 1961 §	Gross Yield, Dec. 20, 1961
					£ s. d.	£ s. d.
92½	88⅜	Savings Bonds 3% 1955–65	90¹¹⁄₁₆	90⁷⁄₁₆	4 11 8	5 18 11l
100¹⁄₃₂	99	Convers. 4½% 1962	99-16-9	99-17-2	...	5 4 10
99¹⁄₁₆	98⅞	Convers. 4½% ....Asst'd. (m)	98¹⁵⁄₁₆	99	3 17 10	6 6 4
91¹³⁄₁₆	91¹³⁄₁₆	Convers. 4½% ....Asst'd. (n)	91¹³⁄₁₆	91¹³⁄₁₆	3 19 9	6 6 2
96⅞	93¾	Exchequer 3% 1962–63	96³⁄₁₆	96³⁄₃₂	4 11 9	5 16 0l
101⁵⁄₁₆	98⅝	Treasury 5½% 1962	100⁵⁄₁₆	100⁵⁄₁₆	2 15 4	5 2 6
93²⁹⁄₃₂	90¼	Exchequer 2½% 1963–64	93⁷⁄₃₂	93³⁄₃₂	4 11 4	5 12 7l
99¹⁹⁄₃₂	96⅝	Conversion 4¾% 1963	98⅝	98¹⁵⁄₃₂	3 19 3	5 17 0
98⁹⁄₃₂	94½	Conversion 4½% 1964	96²⁹⁄₃₂	96²⁷⁄₃₂	4 1 6	5 18 9
101⁵⁄₁₆	96	Exchequer 5½% 1966	98⅜	98⅛	3 14 1	6 0 2
83⅛	78³⁄₁₆	Funding 3% 1959–69	82¹¹⁄₁₆	82½	4 15 1	6 1 11l
89¾	84¾	Funding 4% 1960–90	88⅝	88⅝	3 11 11	5 5 10l
80½	74⅝	Savings Bonds 3% 1960–70	79¹¹⁄₁₆	79½	4 16 8	6 4 7l
85⅛	80¾	Savings Bonds 2½% 1964–67	85	84¹³⁄₁₆	4 16 7	5 18 7l
72¹¹⁄₁₆	66¼	Savings Bonds 3% 1965–75	71⁹⁄₁₆	71⁷⁄₁₆	4 15 6	6 5 1l
84¹¹⁄₁₆	78⅞	Funding 3% 1966–68	84⅝	84⁷⁄₁₆	4 14 8	6 2 3l
86³⁄₁₆	80¼	Conversion 3½% 1969	85¾	85⅝	4 12 6	6 3 11
97½	92½	Victory 4% 1920–76	93⅞	93⅞	3 9 9	5 4 0‡
93⁵⁄₁₆	87	Conversion 5% 1971	90½*	90⁷⁄₁₆*	4 5 4	6 6 1
95¹¹⁄₁₆	88½	Conversion 5¼% 1974	92*	92	4 0 11	6 3 10
73⅛	66	Treasury 3½% 1977–80	69¼*	69³⁄₁₆	4 13 0	6 7 4l
72¼	65	Treasury 3½% 1979–81	69¼	69³⁄₁₆	4 13 0	6 8 8l
97⁹⁄₁₆	88½	Funding 5½% 1982–84	90*	90*	4 0 11	6 6 5l
59½	51½	Redemption 3% 1986–96	54⅛	53⅞	4 9 11	6 7 1l
88¼	79¼	Treasury 5% 1986–89	82¼	82³⁄₁₆	4 3 9	6 9 2l
63¹⁄₁₆	55	Funding 3½% 1999–2004	56¹³⁄₁₆*	56¹¹⁄₁₆*	4 7 11	6 10 0l
94⅝	81⅝	Treasury 5½% 2008–12	84¾	84⅞	4 2 7	6 13 0l
65⅜	56½	Consols 4% ....after Feb. 1957	59¾	59¾	4 3 4	6 17 6l
59¼	50½	War Loan 3½% ....after 1952	52⅛	51¹⁵⁄₁₆	4 2 9	6 15 4f
59	50½	Conv. 3½% ....after Apr. 1961	52⅛	52	4 3 3	6 16 8f
50⅞	43¼	Treasury 3% ....after Apr. 1966	44¾	44½	4 3 4	6 16 10f
44	36½	Consols 2½%	38*	37⅞*	4 0 9	6 11 8f
43½	36½	Treasury 2½% ....after Apr. 1975	38	37⅞	4 1 7	6 14 0f
91⅞	85¾	British Electric 4½% 1967–69	91½	91⁷⁄₁₆	4 4 8	6 3 9l
75¹¹⁄₁₆	70⅛	British Electric 3% 1968–73	74¹¹⁄₁₆	74⅝	4 16 7	6 5 1l
70⅝	64½	British Electric 3% 1974–77	69⅛	69	4 15 5	6 5 6l
81⅞	74⅞	British Electric 4¼% 1974–79	79½	79⁷⁄₁₆	4 6 6	6 5 8l
73½	67	British Electric 3½% 1976–79	70¼	70³⁄₁₆	4 12 7	6 6 11l
84⅞	78¾	British Gas 4% 1969–72	84¼	84⅛	4 8 11	6 5 2l
82	76	British Gas 3½% 1969–71	81⅝	81½	4 12 1	6 4 0l
59⅜	51¾	British Gas 3% 1990–95	53¾	53⁹⁄₁₆	4 11 8	6 8 7l
75¹¹⁄₁₆	70⅛	British Transport 3% 1968–73	74¹¹⁄₁₆	74⅝	4 16 7	6 5 1l
80⅞	74	British Transport 4% 1972–77	77¼*	77³⁄₁₆	4 9 3	6 5 8l
61⁷⁄₁₆	53¾	British Transport 3% 1978–88	56½*	56⁵⁄₁₆*	4 15 0	6 9 2l

Prices, 1961 High	Prices, 1961 Low	DOMINION AND CORPORATION STOCKS	Price, Dec. 13, 1961	Price, Dec. 20, 1961	Yield, Dec. 20, 1961
					£ s. d.
82¼	76½	Australia 3¼% 1965–69	81	80¾	6 13 0l
101	92¾	Australia 6% 1974–76	97¼	97⅛	6 7 0l
72½	64½	Ceylon 4% 1973–75	66¼	66¼	8 6 0l
101⅛	92¾	New Zealand 6% 1976–80	95⅜	95½	6 11 0l
80½	70½	Rhodesia and Nyasaland 6% 1978–81	77½	75½*	8 11 0l
81	73	South Africa 3½% 1965–67	80½	81¼	7 19 0l
59	53½	Southern Rhodesia 4½% 1987–92	58	58	8 9 0l
94⅝	85⅛	Agricultural Mortgage 5½% 1980–85	89½	86½*	6 13 0l
89	82¼	Birmingham 4¼% 1967–70	86*	85¾*	6 6 0l
92¾	86½	Bristol 5% 1971–73	88¼	88½	6 7 0l
93	86½	Corporation of London 5¼% 1976–79	87¾	88	6 7 0l
48¾	41	L.C.C. 3% ....after 1920	43	42⅞	6 18 0f
89⅛	80⅛	L.C.C. 5% 1980–83	83¾	83¾	6 9 0l
93	84¼	Middlesex 5¼% 1980	88⅛	88⅛	6 9 0l

NEW YORK PRICES AND INDICES

	Dec. 13 $	Dec. 19 $		Dec. 13 $	Dec. 19 $		Dec. 13 $	Dec. 19 $
Atch. Topeka	27	26⅛	Boeing	48¾	50¾	Int. Harvester	51⅝	50⅛
Can. Pacific	24⅞	25	Celanese	34¾	33⅝	Inter. Nickel	81⅝	81⅝
Pennsylvania	16⅞	16¾	Chrysler	50⅜	47¾	Inter. Paper	37	36½
Union Pacific	34⅜	32⅝	Col. Palmolive	54*	53¾	Kennecott	81¼	81⅛
Amer. Electric	71	70¼	Crown Zeller.	59¾	59¼	Monsanto	51⅛	51⅛
Am. Tel. & Tel.	138⅞	135¾	Distillers Seag.	41½	41	Nat. Distillers	27⅜	26¾
Cons. Edison	86¼	83½	Douglas	36¾	35½	Pan-American	22⅛	20¾
Int. Tel. & Tel.	59⅝	57	Dow Chemical	74¼	72	Procter Gamble	95	93¾
South'n. Nat. Gas	48	47¼	Du Pont	239¼	237	Radio Corpn.	54½	54⅛
United Corpn.	8⅝	8⅝	East. Kodak	110½	109¾	Sears Roebuck	89⅜	88½
Western Union	41¼	39⅜*	Ford Motor	113⅞	109¾	Shell Oil	40	38¾
Alcoa	59¾	62¼	Gen. Electric	79¾	77*	Socony-Mobil	51¼	50⅝
Aluminium	25⅞	26⅛	General Foods	95¾	91¾	Stand. Oil Ind.	54⅞	54¾
Amer. Can	47¼	46⅞	General Motors	57¾	56⅜	Stand. Oil N.J.	51¾	50⅞
Am. Smelting	59⅜	63⅞	Goodyear	44	42⅜	Union Carbide	125⅝	121
Am. Viscose	51	53¼	Gulf Oil	43¼	42⅝	U.S. Steel	80¾	79⅛
Anaconda	48¾	48⅞	Heinz	63½	62	West. Electric	38½	37⅞
Beth. Steel	42	41	Int. Bus. Mach.	586	571	Woolworth	92½	91⅝

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

1961	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Nov. 22	75·40	2·77	34·14	4·79	67·80	2·91	88·80	4·00
„ 29	75·49	2·76	33·90	4·82	67·26	2·93	88·39	4·02
Dec. 6	75·97	2·77	33·56	4·83	66·59	2·83	87·87	4·09
„ 13	76·60	2·74	33·33	4·87	66·84	2·77	87·67	4·11
„ 20	75·22	2·81	32·39	4·98	64·85	3·08	87·57	4·12

425 Industrials:—High, 76·69 (Dec. 12). Low, 60·87 (Jan. 3).

Prices, 1961 High	Prices, 1961 Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Dec. 13, 1961	Price, Dec. 20, 1961	Yield, Dec. 20, 1961	Cover
		%	%	**BANKS, DISCOUNT & HP**				
89/7½	64/-	13 c	6½ a	Barclays £1	85/-	87/-	2·99	...
100/3	74/3	16 c	8 a	District £1	94/6	94/6	3·39	...
80/-	58/7½	13 c	5 a	Lloyds £1	68/-	67/9	3·21**	...
26/4½	18/7½	8 b	7 a	Martins 5/-	23/-	22/4½	3·35	...
94/6	67/3	19 c	9½ a	Midland £1	90/6	89/-	3·37**	...
97/3	73/-	7 b	7 a	Nat Provincial £1	90/6	89/6	3·12	...
95/6	58/9	7¹¹⁄₁₂ b	6⅔ a	Westminster 'B' £1	86/9	88/-	3·32	...
44/9	35/3	4 a	8 b	Australia & N.Z. ...£1 p.p.	42/-*	43/9	4·38	...
52/-	41/-	6 b	4 a	Bk. Lond. & S. Amer. ..£1	45/6	46/6	4·30	...
£24⅞	£21³⁄₁₆	$2·05c	$2·05c	Bank of Montreal $10	£25⁹⁄₁₆	£25⅜	2·78	...
30¾	25¼	8 c	9 c	Bank of New S. Wales £20	28	28	5·14g	...
44/9	31/9	10 c	5 a	Barclays D.C.O. £1	38/-*	38/-	5·26	...
60/7½	46/7½	7½ b	7½ a	Chartered £1	52/6	54/3	5·52	...
£21	£14⅝	5/- a	10/- b	Hongk'g. & Shang. ...$25	£18	£18½	4·05	...
70/6	49/9	7½ a	9 b	Nat. Com. Bk. Scot. .10/-	53/-	53/-	3·11	...
£29⁵⁄₁₆	£25¹⁵⁄₁₆	$2·32½c	$2·37½c	Royal Bk. Canada $10	£28¹³⁄₁₆	£28⅝	2·90	...
119/6	96/3	10 b	9 a	Royal Bk. of Scotland .£1	112/6	110/9	3·43	...
41/6	32/-	10 b	5 a	Stand. Bk. S. Africa ..£1	41/3	49/3	7·27	...
165/-	95/-	22½ c	22½ c	Hambros ....£1 f.p.	160/-	157/6	2·86	...
89/6	59/6	5 b	2½ a	Schroders £1	84/-	84/-	1·79	...
60/6	45/6	6¼ a	6¼ b	Union Discount £1	52/9	52/9	4·74	...
27/4½	12/6	18 c	Nil a	Bowmaker 5/-	13/3	12/6	...	1¼
23/6	11/9	19 c	5 a	Lombard Banking 5/-	11/9	11/10½	...	1
21/9	12/9	5 a	2½ b	Mercantile Credit 5/-	14/10½	14/6	2·59	1¼
210/-	132/-	22½ b	4 a	United Domins. Tst. ...£1	150/-	151/3	3·50	¾
				BREWERIES, Etc.				
15/4½	11/-	...	...	Bass, M. & B. 5/-	15/3	15/4½	3·58**	2¼
41/1½	31/-	8½ b	6 a	Distillers 10/-	36/6*	37/7½	3·76	2
26/9	13/-	4 a	8 b	Flowers 5/-	17/-*	17/9	3·38	2
60/6	50/-	8 a	14 b	Guinness 10/-	52/-*	50/-	4·40	1¾
14/10½	12/-	...	...	Ind Coope T.A. 5/-	14/10½	15/-	4·00**	...
42/6	30/-	5 a	9 b	Teacher (Distillers) ..10/-	39/6	42/6	3·21	2½
106/6	76/9	6 a	12 b	Watney Mann £1	106/3	108/-	3·33	2
37/9	26/-	27 c	9 a	Whitbread 'A' 5/-	36/-	36/9	3·67	1¾
				BUILDING, PAINT, Etc.				
64/-	44/10½	5⅔ b	3 a	Associated Portland £1	53/-	52/7½	3·17	2½
28/1½	19/10½	7¼ b	4 a	British Plaster Bd. ..10/-	22/-	23/3	5·38	2¼
26/10½	15/6	10 b	6 a	Richard Costain 5/-	15/7½	15/9	5·08	2¾
13/-	9/4½	10 b	5 a	Crittall Mfg. 5/-	11/-	11/3	6·67	2
18/6	10/-	6 a	14 b	International Paints ..4/-	10/6*	10/3	7·80	1½
105/6	83/9	12½ b	5 a	London Brick £1	96/-	92/-	3·80	1¾
66/9	40/6	21⅞ c	25 c	Rugby Portland 5/-	53/3	55/6	2·25	3¼
28/4½	18/3	12½ b	7½ a	Taylor Woodrow 5/-	19/3	19/9	5·06	1¼
167/1½	119/6	7½ a	17½ b	Wall Paper Defd. £1	137/4½	135/9	3·68	2¼
				CHEMICAL				
29/3	20/3	14 b	6 a	Albright & Wilson 5/-	22/4½	22/6	4·44	2½
22/-	14/10½	11½ c	4 a	Borax Defd. 5/-	15/6	16/-	3·59	3
58/9	30/7½	7 b	4 a	Fisons £1	31/-	36/3	6·07	1½
81/6	55/10½	7½ b	6¼ a	I C I £1	58/3	57/7½	4·77	2
26/10½	14/6	10 b	5 a	Monsanto 5/-	16/-	16/1½	4·65	2½
				DRAPERY & STORES				
36/-	24/-	8 b	4 a	Boots Pure Drug 5/-	27/9	28/6	2·11	2¼
97/3	58/6	20 b	7½ a	Montague Burton 10/-	97/3	106/3	2·59	2
75/0¾	47/7½	5⅚ a	13⅓ b	Debenhams 10/-	58/-	57/9	3·32	1½
59/4½	45/-	25 b	12½ a	G.U.S. 'A' 5/-	52/6	52/9	3·55	2
46/9¾	33/4½	16⅔ b	13⅓ a	House of Fraser 5/-	40/-	40/-	3·75	1¼
21/1½	14/3	7⅓ b	5 a	Lewis's Invest. Tst. ..4/-	15/6¾	15/4½	3·21	2¼
106/9	85/1½	32½ b	15 a	Marks & Spencer 'A' 5/-	103/7½	99/9	2·38	1½
53/10½	34/10½	20 b	10 a	United Drapery 5/-	48/10½	47/7½	3·15	1¾
62/1½	50/-	25 b	10⅚ a	Woolworth 5/-	52/3	50/6	3·55	1½
				ELECTRICAL & RADIO				
48/6	28/3	10 b	5 a	A.E.I. £1	28/3	29/-	10·34	1
15/5¼	9/7½	...	15 c	Brit. Electronic Inds. .5/-	10/1½	10/3	7·32	¼
62/3	49/-	9½ b	4 a	B.I.C.C. £1	56/1½	55/9	4·84	2
14/7½	11/3	5 a	7½ b	Crompton Parkinson ..5/-	12/6¾*	12/9	4·90	2¼
78/-	54/-	7½ a	15⅚ b	Decca Record 10/-	73/-	78/-	2·99	1¾
52/-	35/-	5 a	12½ b	E.M.I. 10/-	43/-	44/9	3·91	2
45/-	25/9	8 b	5 a	Elliott-Automation 5/-	43/1½	44/6	1·46	2
40/6	22/6	3 a	7 b	English Electric £1	22/6	23/-	8·70	1½
39/6	23/6	3 a	7 b	General Electric £1	23/6	23/9	8·42	¾
72/9	47/-	8⅛ b	4⅜ a	C. A. Parsons £1	50/6	50/6	4·95	4
52/3	37/6	6½ b	3¼ a	A. Reyrolle £1	43/9	43/9	4·46	2¾
66/10½	45/3	25 c	25 c	Thorn Electrical 5/-	64/-	66/10½	1·87	3
				ENGINEERING				
36/9	18/9	9 c	Nil a	Babcock & Wilcox £1	21/9	20/6	...	1
48/9	30/4½	4 a	7 b	John Brown £1	34/3	37/1½	5·93	2¾
8/4½	4/2¼	9 b	3 a	Cammell Laird 5/-	4/5¼	4/6	13·33	1
33/9	22/4½	20 b	10 a	Internat. Combust. ..5/-	25/4½	25/7½	5·85	1½
9/1½	3/4½	...	...	Rich'ds'ns. Westg'th. 10/-	3/4½	3/8¼	...	...
40/-	28/-	9½ b	2½ a	Swan Hunter £1	34/9	36/10½	6·51	2¼
17/4½	10/6	5 c	5 a	John Thompson 5/-	11/9¾	13/-	1·92	...
33/10½	21/8¼	†2½ a	†6¼ b	Coventry Gauge 10/-	31/-	31/-	4·61	2¾
79/9	51/6	†6 b	†2½ a	Alfred Herbert £1	63/3	64/3	4·32	1¾
78/-	41/-	12½ b	5 a	Allied Ironfounders ..£1	43/6	43/-	8·14	1½
110/-	81/10½	10 b	5 a	Averys £1	96/6	97/-	3·09	2½
36/10½	17/-	7⅔ b	4 a	B.S.A. 10/-	18/6	17/6	6·67	2¼
14/9	9/-	8½ b	4½ a	George Cohen 5/-	9/9	9/6	6·84	1¾
44/4½	29/-	10 a	17½ b	Davy-Ashmore 5/-	31/9	31/9	4·33	2¼
108/7½	70/-	11 b	5 a	Guest Keen £1	72/-	76/-	4·21	3½
31/-	18/3	4 a	12 b	Head Wrightson 5/-	19/-	20/4½	3·93	2½
100/3	68/3	5 a	7 b	Metal Box £1	79/3*	83/-	2·89	2¼
22/6	14/-	4 a	10 b	Ransome & Marles ..5/-	15/6	15/9	4·44	3
50/6	34/6	7 b	3 a	Renold Chains £1	45/-	44/10½	4·46	2
44/1½	29/7½	17½	10 a	Simon Engineering ..5/-	30/7½	30/7½	4·49	2
85/6	54/-	7 a	7 b	Tube Investments £1	61/-	61/6	4·55	3
38/4½	25/6	7½ b	2½ a	Vickers £1	27/-	27/4½	7·31	1¾
84/6	58/-	3¾ a	10 b	Ward (Thos. W.) £1	58/-	59/3	4·64	3
30/-	18/3	22½ b	5 a	Woodall-Duckham 5/-	18/6*	18/3*	5·75**	2¾
				FOOD & TOBACCO				
34/-	17/4½	10 c	10 c	Allied Suppliers 10/-	20/4½	21/-	4·76	2¼
15/-	7/9¾	12½ b	10 a	Assoc. British Foods ..1/-	11/1½*	11/-	2·05	2
74/-	54/3	8 b	4 a	Bovril £1	56/3	57/6	4·17	2½
12/11¼	9/9¾	†1·7a	†3·9b	Brooke Bond 'B' 5/-	11/-‖	11/3‖	4·06	3½
19/3	12/6	10 b	2½ a	International Tea 5/-	13/6	14/-	4·46	1½
107/9	65/-	10⅚ b	5 a	J. Lyons 'A' £1	70/9	72/7½	4·36	1¼
35/6	25/9	5 a	9 b	Ranks 10/-	29/3	30/-	4·67	2
14/0¾	10/4½	7½ b	2½ a	Spillers 5/-	11/-	12/4½	4·04	2
50/-	38/7½	10·9c	10·7a	Tate & Lyle £1	47/10½	48/3	4·97**	2
20/10½	14/10½	5 a	9 b	Unigate 5/-	16/-	16/7½	4·21	2
73/-	55/9	†21⅔ c	†11⅔ a	Brit. Amer. Tobac. ..10/-	58/-	56/3	6·29	2¾
51/6	34/7½	15 b	5 a	Gallaher 10/-	35/4½	39/9	5·03	2
71/9	63/6	14 b	8½ a	Imperial Tobacco £1	64/-	62/1½	7·24	1¾
				INSURANCE				
15½	11⁵⁄₁₆	†55 b	†50 a	Britannic 5/-	15¼	15³⁄₁₆	2·82	...
86/3	60/6	25 b	20 a	Commercial Union ..5/-	65/9	64/7½	3·48	...
33⁹⁄₁₆	17⅞	†41·17c	†41·17c	Equity & Law Life 8/6	32¾	33³⁄₁₆	0·86	...
88/4½	51/10½	20 b	10 a	General Accident 5/-	83/9	85/6	1·75	...
60/6	42/7½	40 b	35 a	Guardian 5/-	50/6	52/4½	2·55**	...
39½	23¼	110 b	80 a	Legal & General 5/-	38⁹⁄₁₆	39¹⁄₁₆	1·21	...
146/-	100/-	11½ b	8½ a	Northern & Empl. £1	143/3	142/9	2·80	...
272/6	156/3	†70 b	†20 a	Pearl 5/-	220/-	231/10½	3·17	...
29	18	†183⅓ c	†208⅓ c	Prudential 'A' 4/-	26¹⁄₁₆	25⁹⁄₁₆	2·56	...
49/3	38/10½	...	...	Royal 5/-	46/4½	45/10½	3·26**	...
129/3	100/3	11¼ b	7½ a	Royal Exchange £1	108/3	110/3	3·40	...
				MOTORS & AIRCRAFT				
18/10½	12/10½	7½ a	12½ b	British Motor 5/-	14/11¼	15/1½	6·61	¾
86/6	66/1½	20 c	20 c	Jaguar Cars 'A' 5/-	84/4½	84/9	1·18	7¾
48/6	35/6	11 c	5 a	Rolls-Royce £1	36/3	36/3	6·07	2¼
10/-	5/6	12 c	4 c	Rootes Motors 'A' ..4/-	6/3	6/1½	2·61	...
88/9	52/2¼	5 a	11 b	A.C.V. £1	74/1½	73/4½	4·36	2
101/-	77/7½	15 c	20 c	Leyland Motors £1	86/9	87/10½	4·55	...
18/6	14/-	9 b	3½ a	Bristol Aeroplane ..10/-	16/4½	16/-	7·81	2¼
33/3	20/6	15 c	5 a	Hawker Siddeley £1	22/10½	22/3	9·53**	1¼
41/3	28/10½	†4 a	†5½ b	Dowty Group 10/-	29/9	30/3	5·13	2¼
28/11¼	21/6	15⅚ c	5 a	Dunlop Rubber 10/-	28/10½	28/10½	5·48	2
72/-	49/9	2½ a	11¼ b	Joseph Lucas £1	58/4½	62/-	4·44	2¼
33/3	15/9	30 c	Nil a	Pressed Steel 5/-	17/-	17/3	...	1¼
46/3	29/3	15 c	12½ c	Triplex Holdings ..10/-	33/7½	34/1½	3·66	2¼
				MINES				
168/9	110/-	50 b	40 a	Anglo-American 10/-	143/9	140/7½	6·40	1½
70/6	43/-	6¼ b	18¾ b	Consolid. Gold Fields .£1	70/3	65/7½	7·62	2½
108/9	72/6	15 a	20 b	General Mining £1	96/3	96/3	7·27	2
68/6	40/-	120 b	40 a	Union Corporation ..2/6	62/6	59/10½	6·68	3
25/3	15/3	40 a	40 b	Daggafontein 5/-	18/3	18/7½	21·48	1½
125/-	73/9	70 a	100 b	Free State Geduld ..5/-	101/3	96/10½	8·77	2
54/3	37/6	25 a	25 b	Hartebeestfontein ..10/-	49/6	48/6	10·31	1½
64/6	41/10½	50 a	60 b	President Brand 5/-	56/10½	55/-	10·00	1½
157/6	101/3	90 a	120 b	Western Holdings ..5/-	130/-	124/9	8·42	1¼
28/6	15/9	...	8⅓ a	Winkelhaak 10/-	20/6	19/7½	...	8½
75/3	55/-	36⅔ b	13⅓ a	Chartered 15/-	57/6	55/7½	13·48	2¾
63/6	51/3	20 a	60 b	Rhod. Anglo-Amer. ..10/-	55/3	55/6	14·41h	1¾
11/7½	7/10½	4¹¹⁄₁₆ a	9 b	Rhod. Selection Tst. ..5/-	8/3	10/4½	6·60h	2
6/1½	4/7½	4⅙ a	8 b	Roan Antelope 5/-	4/7½	4/10½	12·48h	1½
30/9	15/3	15 a	17½ b	Tanganyika Cons. ..10/-	16/9	18/4½	17·69	1¼
81/6	46/6	13¾ b	3¾ a	Consolidated Zinc £1	47/6	48/-	7·29	1¾
159/4½	110/-	150 b	100 a	De Beers Defd. Reg. ..5/-	151/10½	150/7½	8·30	1¾
$159½	$104	$1·50c	$1·50c	Internat. Nickel ....n.p.v.	$143½	$144½	1·85	...
18/9	10/9	27½ b	7½ a	London Tin 4/-	15/1½	15/9	8·89	1¼
45/-	30/-	20 c	27½ c	Rio Tinto 10/-	42/6	42/6	6·47	1½
44/3	17/9	52½ c	20 a	Tronoh 5/-	28/-	27/6	9·55	1
				OIL				
51/3	32/-	†6·94b	†2·78a	British Petroleum £1	36/6	34/3	9·27	2¼
49/6	31/6	†6⅞ b	†2½ a	Burmah Oil £1	33/6	31/9	9·64	1¼
52/-	36/-	13¾ b	6¼ a	Castrol 10/-	39/6	40/-	5·00	2½
£15¹⁄₁₆	£10⅝	23·87c	11⅛ a	Royal Dutch ....20 fl.	£13¼	£12¹⁹⁄₃₂	3·74	2¾
139/7½	108/9	†20·8 c	†10 a	Shell Transport £1	121/6	120/-	5·67	3
41/3	24/-	...	...	Ultramar 10/-	26/-	24/4½	...d	...
				PAPER & NEWSPAPERS				
14/7½	9/10½	10 b	5 a	Daily Mirror 5/-	12/4½	12/4½	6·06	1¼
91/-	57/6	8 b	4 a	W. H. Smith & Son 'A' .£1	67/-	68/9	3·49	2
23/9	17/9	...	10 a	Thomson Org'n. 5/-	22/-	22/-	5·45**	2
66/3	43/6	8¾ b	5 a	Bowater Paper £1	44/6	44/-	6·25	1½
56/6	41/-	16 c	5 a	Albert E. Reed £1	41/9	41/-	7·80	1½
54/3	37/3	8½ b	4 a	Spicers £1	37/6	37/3	6·71	1¾
68/9	46/6	10 b	4 a	Wiggins Teape £1	46/6	46/9	5·99	2
				MISCELLANEOUS				
31/-	21/6	10 a	20 b	Assoc. British Picture .5/-	25/3	25/3	5·94	2¾
34/6	26/9	20 a	40 b	Assoc. Television 'A' .5/-	34/4½	33/6	8·95	1¾
52/9	41/4½	14 b	16 a	Beecham Group 5/-	47/4½	48/7½	3·08	1¾
54/3	31/1½	3⅓ a	6⅔ b	British Match £1	32/10½	34/10½	5·73	2
28/4½	14/-	4 a	6⅔ b	British Oxygen 5/-	16/3	15/-	3·55	2½
13/-	7/10½	1 b	3 a	British Ropes 5/-	8/9	8/9¾	5·63	2¼
70/-	44/9	15 b	7½ a	De La Rue 10/-	50/9	52/9	4·27	2
50/-	31/9	20 c	7½ a	Gestetner 'A' 5/-	42/-	44/-	2·27	3¼
73/9	51/3	6 a	9 b	Glaxo 10/-	52/6	55/1½	2·72	3¼
57/6	42/-	3 a	12 b	Harrisons & Cr. Defd. .£1	45/6	44/3	6·78	2½
55/6	35/6	40 b	5 a	Hoover 'A' 5/-	39/6	39/9	5·66	2¼
28/-	18/9	12½ b	5 a	Ilford 5/-	21/9	21/9	4·02	2
109/3	56/3	4 a	7¼ b	I.C.T. £1	98/6	108/6	2·07	2¾
78/9	37/6	12½ c	12½ c	National Canning £1	37/6	37/6	6·67	1
37/3	29/6	6 a	10 b	Powell Duffryn 10/-	36/-	35/9	4·48	2¼
36/6	24/7½	5 a	17½ b	Radio Rentals 5/-	35/4½	35/-	3·21	3
37/6	18/9	7½ a	15 b	Rank Organisation ..5/-	33/3	32/-	3·52	2½
41/10½	30/1½	16½ b	7½ a	Schweppes 5/-	32/3	35/3	3·40	1¾
39/-	27/6	20 c	25 c	Sears 'A' 5/-	34/7½	35/9	3·50	2¼
28/4½	21/3¾	11½ b	8½ a	Thomas Tilling 4/-	24/6	25/3	3·16	2
78/-	54/6	4 a	8 b	Turner & Newall £1	56/-	58/7½	4·09	2¼
53/-	32/6	15½ b	9·47a	Unilever £1	53/-	47/6	2·58	3¼
12⅝	8¾	13 b	8 a	Unilever N.V. ....12 fl.	12⅝*	11¼	2·21	3¼
22/6	13/9	10 b	5 a	United Glass 5/-	18/3	19/-	3·95	2½
42/1½	29/3	†10⅚ b	†4⅙ a	United Molasses 10/-	29/3	29/3	8·37	1
				SHIPPING				
46/3	27/3	13½ b	6½ a	Brit. & Com'wealth. 10/-	27/9	28/4½	7·04	2
20/-	13/3	8 c	6 c	Cunard £1	15/1½	14/-	...	...
24/9	16/6	17 c	7 c	France Fenwick £1	17/3	16/6	8·48	½
50/6	28/3	10 c	10 c	Furness Withy £1	29/4½	28/3	7·07	1
15/-	9/-	7½ a	10 b	London & Overseas ..5/-	9/7½	9/-	9·72	...
48/6	27/7½	8 b	3 a	P & O Defd. £1	28/7½	27/9	7·93	1
17/9	10/10½	2½ c	2½ c	Reardon Smith 10/-	11/4½	11/1½	2·25	...
25/-	10/10½	8 c	5 c	Royal Mail £1	11/1½	11/1½	8·99	...
				STEEL				
81/3	45/1½	10 b	6 a	Colvilles £1	47/7½	46/1½	6·94	4½
43/7½	23/1½	3½ a	6½ b	Dorman Long £1	23/7½	24/6	8·33	2½
49/10½	30/9	7½ b	3½ a	Lancashire Steel £1	31/7½	31/3	7·04	3½
42/-	21/9	4 a	6 b	South Durham £1	22/7½	22/6	8·69	2
47/8¼	28/6	5 a	5 b	Steel Co. of Wales £1	29/10½	29/9	6·72	2¾
57/4½	36/4½	5 a	10 b	Stewarts & Lloyds £1	37/4½	37/1½	8·08	3½
68/7½	41/6	6 a	9 b	John Summers £1	43/1½	43/4½	6·92	2¾
55/7½	38/-	4·8a	7½ b	United Steel £1	38/10½	38/6	6·39	3
63/6	41/-	6¼ a	8¾ b	Whitehead £1	42/9	41/-	7·32	2
				TEXTILES				
42/7½	23/10½	7½ b	5 a	English Sewing Cotton £1	25/1½	28/6	8·77	1½
31/10½	19/4½	5 a	10 b	Fine Spinners £1	20/4½	23/3	12·90	2
70/4½	45/3	17½ b	7½ a	Lancashire Cotton £1	48/1½	51/4½	9·73	1½
47/6	26/3	5⅚ b	3¾ a	Courtaulds £1	29/3	40/1½	4·78	1¾
8/9	5/7½	4 a	9⅓ b	Illingworth Morris ..4/-	6/1½	5/9	9·27	1½
75/3	62/-	13 b	8 a	West Riding Worsted .£1	73/-	73/3	5·73	2
37/3	26/3	7½ b	2½ a	Woolcombers £1	28/4½	28/4½	7·05	2
20/7½	12/1½	3 c	6 c	Bradford Dyers £1	13/3	13/6	8·89	1¼
16/2¼	11/6	7½ a	13¾ b	Calico Printers 5/-	11/9	11/10½	8·42**	3¼
55/10½	38/6	...	3¾ a	Coats, Patons & B. £1	41/7½	42/-	5·95**	2
13/7½	9/10½	3 a	10 b	Jute Industries 10/-	10/-	9/10½	13·16	3
35/3	22/7½	10 c	10 c	Tootal £1	22/7½	23/-	8·70	1¼
				TRUSTS, LAND & PROPERTY				
70/-	52/6	12½ a	25 b	Alliance Trust 5/-	64/6	65/6	2·86	1¼
57/10½	42/6	37½ b	12½ a	B.E.T. 'A' Defd. 5/-	53/3	53/3	4·69	1½
20/-	12/7½	10 c	10 c	Cable & Wireless 5/-	17/-	17/1½	2·92	1¾
65/9	47/-	20 c	23⅓ a	City Centre Props. ..5/-	58/6*	59/4½	2·13**	¾
95/6	64/3	7½ b	3½ a	City Lond. Real Prop. .£1	77/4½	77/9	2·83	1
100/7½	72/6	7·04a	9·04b	Hudson's Bay £1	85/-	85/-	3·78	1¾
36/3	22/3	4 b	2 a	Land Securities 10/-	32/6	33/-	1·82	1
38/3	26/6	12¹⁄₁₂ c	3⅓ a	Lond. Cnty. Freehld. 10/-	33/9	32/3	3·75	1
				TEA & RUBBER				
47/6	40/6	†25 b	†2½ a	Cons. Tea & Lands £1	44/9	45/-	19·96	1
35/6	28/9	†3 a	†11 b	Jokai (Assam) £1	33/6	32/9	13·96	2½
11/-	7/6	...	...	Nuwara Eliya £1	8/-	8/-	...	...
6/10½	3/10½	29⅙ b	12½ a	Highlands & Lowlands 2/-	4/2¼	4/7½	18·02	1½
7/4½	4/7½	35 b	7½ b	London Asiatic 2/-	4/7½*	4/9¾	17·66	2
93/-	64/6	37½ b	10 a	United Sua Betong £1	65/3	72/6	13·10	1½

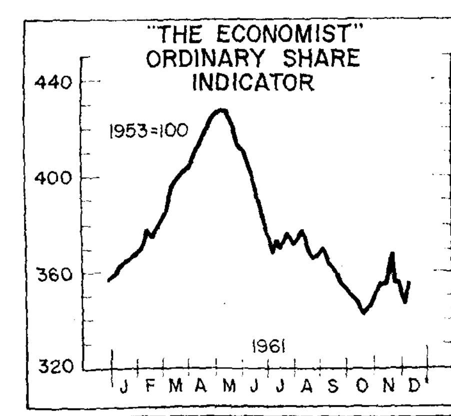
The Economist Indicator (1953=100)

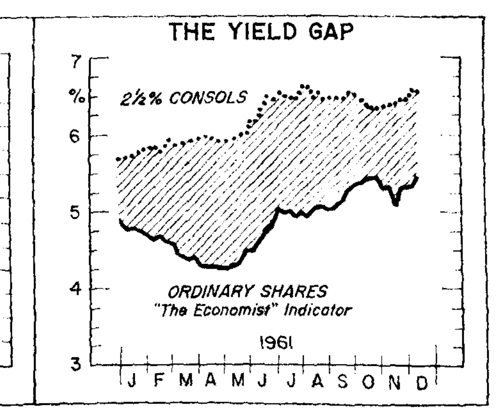
1961	Indicator	Yield %	1961 High	1961 Low
Nov. 15	368·9	5·11	427·2 (May 10)	342·7 (Oct. 18)
„ 22	356·6	5·33		
„ 29	356·9	5·33		
Dec. 6	347·3	5·53		
„ 13	355·5	5·41		
„ 20	356·7	5·38		

Financial Times Indices

1961	Index †	Ord. Yield	Fixed Int. ‡	2½% Consols Yield	Bargains Marked
Dec. 14	297·9	5·30	82·92	6·57	12,220
„ 15	299·8	5·26	82·88	6·57	10,850
„ 18	301·8	5·23	82·96	6·58	12,908
„ 19	301·4	5·24	82·90	6·60	11,370
„ 20	301·4	5·24	82·90	6·60	9,843

High, 365·7 (May 15). Low, 284·7 (Oct. 16).
† July 1, 1935=100. ‡ 1928=100.





* Ex dividend. † Tax free. ‡ Assumed average life 7¾ 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. (l) To latest date. (m) Assented into Conversion 6% 1972. (n) Assented into Funding 5½% 1982–84.

** Yields based on assumed dividends:—Bass, Mitchells & B., 11%. Calico Printers, 20%. City & Centre Props., 25⅓%. Coats, Patons & B., 12½%. Guardian, 26⅔%. Hawker Siddeley, 10·6%. Ind Coope, T.A., 12% on merger terms. Lloyds Bank, 10⅚%. Midland Bank, 15%. Royal Assurance, 30%. Tate & Lyle, 12%. Thomson Organisation, 24%. Woodall-Duckham, 21%.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended December 16, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £62,872,000 compared with a deficit of £2,072,000 in the previous week and a deficit of £39,174,000 in the corresponding period of last year. There was a net expenditure "below-line" of £7,845,000 leaving a total cumulative deficit to date of £883,995,000 compared with £908,524,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, to Dec. 17, 1960	April 1, 1961, to Dec. 16, 1961	Week ended Dec. 17, 1960	Week ended Dec. 16, 1961
Ordinary Revenue					
Income Tax	2,728,500	933,634	1,060,206	22,958	25,475
Surtax	210,000	52,500	59,900	2,200	2,500
Death Duties	240,000	160,900	181,500	4,000	4,700
Stamps	94,000	62,800	68,300	1,500	1,700
Profits tax, EPT and EPL	325,500	203,800	256,100	6,700	6,800
Other Inland Rev. Duties	...	50	...	...	...
Total Inland Rev.	3,598,000	1,413,684	1,626,006	37,858	41,175
Customs	1,550,000	1,064,023	1,173,581	33,392	33,807
Excise	960,000	691,850	716,805	6,435	8,715
Total Customs and Excise	2,510,000	1,755,873	1,890,386	39,827	42,522
Motor Duties	155,000	41,474	51,310	482	3,712
PO (Net Recpts)	...	1,500	...	1,500	...
Broadcast Lic's	40,000	22,500	23,800	...	...
Sundry Loans / Miscellaneous	205,000	40,292 / 80,309	188,129	857	800
Total	6,508,000	3,355,632	3,779,631	80,524	88,209
Ordinary Expenditure					
Debt Interest	660,000	470,337	520,882	29,559	44,888
Payments to N. Ireland Exch.	92,000	56,577	59,576	...	...
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	4,726	4,991	9	23
Supply Services	5,186,902	3,332,597	3,613,863	89,800	105,600
Total	5,961,902	3,864,237	4,206,594	119,368	150,511
Sinking Funds	40,000	26,230	26,784	330	570
"Above-line" Surplus or Deficit		534,835	453,747	39,174	62,872
"Below-line" Net Expenditure*		373,689	430,248	12,936	7,845
Total Surplus or Deficit		908,524	883,995	52,110	70,717
Net receipts from:					
Tax Reserve Certificates		199,498	188,800	10,725	570
Savings Certificates		44,900	−18,400	1,400	700
Defence Bonds		77,104	19,899	2,052	485
Premium Savings Bonds		40,650	29,100	700	500
Total		362,152	219,399	14,877	2,255

* 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

(£ million)

	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Dept.	Ways and Means Advances: Bank of England	Total Floating Debt
1960 Dec. 17	3,610·0	1,794·1	211·4	...	5,615·5
1961 Sept. 16	3,240·0	1,905·2	229·5	...	5,374·7
" 23	3,220·0	1,928·7	228·3	...	5,377·0
" 30	3,220·0	2,018·6	283·7	...	5,522·3
Oct. 7	3,240·0	1,998·1	207·2	...	5,445·3
" 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
Dec. 2	3,350·0	2,078·9	228·5	...	5,657·4
" 9	3,370·0	2,083·8	222·2	...	5,676·0
" 16	3,370·0	2,148·9	235·2	0·8	5,754·9

THE MONEY MARKET

Credit in Lombard Street has been a little easier this week, and the market has only once been forced to borrow at Bank rate from the Bank of England compared with five times in the previous week. At last Friday's Treasury bill tender the market followed this heavy pressure from the Bank by submitting an unchanged bid of £98 13s. 5d. for the £210 million 91-day bills on offer; the average rate of discount fell by 0.51d. to £5 6s. 4.83d. per cent. This rate is on the low side for a Bank rate of 6 per cent that is as likely to go up as down; but until the end of the year when books are balanced the market is likely to be reluctant to risk "missing" the bills at the tender.

The market received 37 per cent of its application for 91-day bills against 46 per cent a week earlier and a quota of 78 per cent of the 63-day bills after receiving none in the previous week. The market's profit margin on bills is now slender—only about 3/16 per cent on the basis of an average cost of 5⅛ per cent for their call money.

In New York last week the rate for three months bills jumped from 2.579 per cent to 2.670 per cent; this is the highest level for fourteen months.

MONEY RATES

LONDON

	%		%
Bank rate (from 6½%, 2/11/61)	6	**Discount rates** (Wednesday):	
Deposit rates (7 days' notice):		Bank bills:	
Banks	4	60 days	5 9/16–5⅝
Discount houses	4–4¼	3 months	5 9/16–5⅝
Local Authorities	6½	4 months	5 9/16–5⅝
Call money:		6 months	5 9/16–5 11/16
Clearing banks' minimum	4⅜	Fine trade bills:	
Day-to-day	4⅜–5½	3 months	6¾–7½
		4 months	6¾–7½
		6 months	7–8

NEW YORK

	%		%
Official Discount rate: (from 3½%, 11/8/60)	3	**Treasury bills:** Dec. 11	2·579
		" 18	2·670

BANK OF ENGLAND RETURNS

(£ million)	Dec. 14, 1960	Dec. 6, 1961	Dec. 13, 1961
Issue Department:*			
Notes in circulation	2,353·2	2,388·0	2,438·2
Notes in banking dept.	47·2	37·3	37·1
Govt. debt and securities*	2,397·9	2,424·0	2,474·0
Other securities	0·8	0·7	0·7
Gold coin and bullion	0·4	0·4	0·4
Coin other than gold coin	1·3	0·3	0·3
Banking Department:			
Deposits:			
Public accounts	15·9	11·7	13·3
Special deposits	151·3	233·5	233·5
Bankers	220·3	220·6	222·9
Others	65·3	67·8	69·6
Total	452·8	533·6	539·3
Securities:			
Government	376·0	433·2	404·9
Discounts and advances	27·7	61·2	95·1
Other	19·1	19·0	19·4
Total	422·8	513·4	519·4
Banking department reserve	48·1	38·2	38·0
	%	%	%
"Proportion"	10·6	7·1	7·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,475 million on December 13th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million): Offered		Amount (£ million): Applied for	Three Months' Bills: Average Rate of Allotment	Three Months' Bills: Allotted at Max. Rate*
	91 day	63 day		s. d.	%
1960 Dec. 16	230·0	30·0	410·3	87 6·04	71
1961 Sept. 15	250·0†		407·0	131 10·99	59
" 22	250·0		383·3	130 6·51	65
" 29	270·0		447·9	131 0·48	39
Oct. 6	260·0		397·9	122 5·80	57
" 13	260·0‡		419·0	120 2·28	59
" 20	250·0		416·1	118 5·35	51
" 27	250·0		431·2	114 6·57	66
	91 day	63 day			
Nov. 3	200·0	60·0	412·7	108 6·10	63
" 10	230·0	40·0	458·9	108 5·49	44
" 17	220·0	50·0	430·2	107 9·71	56
" 24	220·0‡	60·0	471·8	107 9·40	42
Dec. 1	220·0	50·0	461·3	107 1·08	44
" 8	230·0	30·0	455·3	106 5·34	46
" 15	210·0	50·0	371·6	106 4·83	37

* [On December 15th tenders for 91 day bills at £98 13s. 5d. secured 37 per cent, higher tenders being allotted in full. The offer for this week was for £210 million 91 day bills and £50 million 63 day bills. ‡ Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits: December 20	Market Rates: Spot: December 15	December 16	December 18	December 19	December 20
United States $	2·78–2·82*	2·81–81⅛	2·81–81⅛	2·81–81⅛	2·80¾–⅞	2·80⅝–¾
Canadian $	...	2·93 3/16–5/16	2·92 15/16–93 1/16	2·93–93⅛	2·92⅞–93	2·92¾–⅞
French Fr.	13·622–14·027	13·77–77¼	13·77–77¼	13·77–77¼	13·75⅝–⅞	13·75–75¼
Swiss Fr.	11·94–12·54⅞	12·12⅝–⅞	12·12½–¾	12·12⅝–⅞	12·11½–¾	12·11–11¼
Belgian Fr.	137·96–142·05	139·87½–92½	139·87½–92½	139·87½–92½	139·75–80	139·67½–72½
Dutch Gld.	9·98¾–10·28½	10·11⅞–12⅛	10·11⅞–12⅛	10·12⅝–⅞	10·13¼–½	10·13–13¼
W. Ger. D-Mk.	11·037–11·365	11·23⅞–24⅛	11·23¾–24	11·23½–¾	11·22⅜–⅝	11·21⅞–22⅛
Portug. Esc.	...	80·17–27	80·20–30	80·20–30	80·20–30	80·23–33
Italian Lire	1735–1775	1744–44½	1743½–44¼	1744–44½	1741½–42	1741½–42
Swedish Kr.	14·27½–14·70	14·51–51¼	14·50⅞–51⅛	14·51–51¼	14·50⅝–⅞	14·50⅜–⅝
Danish Kr.	19·06½–19·62	19·31–31¼	19·31–31¼	19·30¾–31	19·30¾–31	19·30⅝–⅞
Norwegian Kr.	19·71–20·30½	20·01⅛–⅜	20·01⅛–⅜	20·01¼–½	20·01¼–½	20·00⅜–⅝
	* Official Limits					
		One Month Forward Rates				
United States $		⅞–¾c. pm	⅞–¾c. pm	⅞–¾c. pm	11/16–9/16c. pm	11/16–9/16c. pm
Canadian $		15/16–13/16c. pm	15/16–13/16c. pm	⅞–¾c. pm	¾–⅝c. pm	¾–⅝c. pm
French Fr.		3–2½c. pm	3–2½c. pm	3–2½c. pm	3¼–2¾c. pm	3–2½c. pm
Swiss Fr.		3⅞–3⅜c. pm	3⅞–3⅜c. pm	3⅞–3⅜c. pm	3⅜–2⅞c. pm	3⅜–2⅞c. pm
Belgian Fr.		50–40c. pm	50–40c. pm	50–40c. pm	40–30c. pm	40–30c. pm
Dutch Gld.		4¼–3¾c. pm	4¼–3¾c. pm	4¾–4¼c. pm	4⅝–4⅛c. pm	4⅝–4⅛c. pm
W. German D-Mk.		4¼–3¾pf. pm	4¼–3¾pf. pm	4½–4pf. pm	4½–4pf. pm	4¼–3¾pf. pm
		Three Months Forward Rates				
United States $		2⅛–2c. pm	2⅛–2c. pm	2 1/16–1 15/16c. pm	1⅞–1¾c. pm	1⅞–1¾c. pm
Canadian $		2¼–2⅛c. pm	2¼–2⅛c. pm	2¼–2⅛c. pm	2 1/16–1 15/16c. pm	2 1/16–1 15/16c. pm
Swiss Fr.		10¾–10¼c. pm	10¾–10¼c. pm	10¾–10¼c. pm	10⅜–9⅞c. pm	10⅜–9⅞c. pm
W. German D-Mk.		11¼–10¾pf. pm	11¼–10¾pf. pm	11½–11pf. pm	11¾–11¼pf. pm	11¼–10¾pf. pm
		Gold Price at Fixing				
Price (s. d. per fine oz.)		250/1½	...	250/0½	250/1½	250/4½
" ($ " " ")		35·14½	...	35·14	35·14	35·13¾

Western Europe

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

BRITISH

Prices and Wages .... Nov. 25th — External Trade .... Dec. 2nd
Manpower and Output .... Dec. 16th — Industrial Profits .... Oct. 14th

OVERSEAS

Western Europe .... This week — United States .... Nov. 11th

INDUSTRIAL PRODUCTION (1) (1953=100)

	Austria	Belgium	Denmark	France	Germany, F R	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey	United Kingdom
1948	54	90	82	76	39	52	70	62	71	73	89	69	83
1959	156	119	135	156	162	156	115	158	139	134	124	...	121
1960	169	127	142	174	179	172	122	182	157	143	134	...	128
1961 April	174	138	...	189	189	173	...	189	164	159	147	...	132
" May	175	140	...	190	196	181	...	206	156	145	144	...	130
" June	188	139	...	190	198	182	138	194	158	165	144	...	135
" July	169	117	...	192	174	182	...	208	155	108	74	...	126
" August	173	...	...	192	176	...	...	162	152	159	134	...	108
" September	187	...	...	...	188	...	...	...	156	...	...	...	133

VALUE OF EXTERNAL TRADE (2)

Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	mn. New francs	mn. D. marks	mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira	mn. £
	Imports (c.i.f.)												
1948	243	7,249	285[14]	561	264[10]	152[11]	11·4	70	41[3]	310[14]	413[14]	64·2	168·0[15]
1959	2,480	14,340	922	2,092	2,966	1,417	17·7	175	1,247	787	1,041	109·7	321·6
1960	3,068	16,428	1,039	2,583	3,535	1,755	18·9	246	1,435	870	1,251	184·5	370·0
1961 June	2,988	17,653	1,143	2,994	3,702	1,607	21·8	266	1,620	1,165	1,228	300·5	357·5
" July	3,365	16,279	1,015	2,530	3,692	1,835	21·0	270	1,443	922	1,035	388·2	335·8
" August	3,063	15,945	1,006	2,300	3,418	1,282	19·4	248	1,435	934	1,155	567·0	345·4
" September	3,141	16,600	1,030	2,490	3,640	...	21·6	268	1,547	877	1,359	319·5	330·6
" October	...	...	...	2,690	3,970	...	...	...	...	...	...	...	365·0[16]
	Exports (f.o.b.)												
1948	165	6,171	228[14]	362	151[10]	39[11]	4·1	48	226	172[14]	332[14]	45·9	131·6[15]
1959	2,097	13,729	805	2,306	3,430	511	10·9	152	1,142	482	952	82·6	277·5
1960	2,427	15,700	856	2,823	3,993	508	12·7	190	1,275	524	1,107	143·4	296·3
1961, June	2,673	17,031	957	3,159	4,417	244	15·5	204	1,237	558	1,242	152·1	316·3
" July	2,721	15,995	824	2,992	4,214	285	16·8	235	1,227	480	1,190	122·0	308·7
" August	2,479	14,224	845	2,491	4,060	268	15·5	214	1,227	612	1,135	114·6	305·2
" September	2,804	17,424	932	2,880	4,300	...	15·8	218	1,471	592	1,171	304·2	260·5
" October	...	...	...	3,130	4,360	...	...	...	...	...	...	...	319·4[17]

COST OF LIVING (5) (1953=100)

	Austria	Belgium	Denmark	France	Germany, F R	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey	United Kingdom
1948	50[4]	95	81	70[13]	93	63	79	86	78[3]	74[13]	77	89	77
1959	115	110	118	129	110	134	116	113	119	120	120	216	120
1960	117	110	119	134	111	137	117	115	121	121	124	228	121
1961, May	121	111	...	136	114	140	120	117	122	123	127	237	124
" June	123	111	...	135	115	138	...	117	122	123	127	236	125
" July	123	111	125	136	115	137	...	118	123	124	127	238	125
" August	123	112	...	137	115	137	121	118	123	125	127	235	127
" September	122	111	...	138	115	138	...	118	124	125	127	235	126
" October	122	111	...	...	...	138	...	...	...	126	...	...	127[18]

EXPORT PRICES (6) (1953=100)

	Austria	Belgium	Denmark	France	Germany, F R	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey	United Kingdom
1948	42	95	91	68	...	...	78	103	97	84	76	...	77
1959	101	95	102	126	100	125	104	83	101	103	99	89	108
1960	103	97	99	132	101	122	102	86	100	103	102	81	110
1961 May	...	96	100[12]	131[12]	102	114	104	84	98	104[12]	103	62	111
" June	...	96	...	...	102	122	103	86	99	...	102	51	111
" July	...	96	...	...	103	132	...	85	99	...	102	41	111
" August	...	...	...	...	103	116	...	86	99	...	102	39	111
" September	...	...	...	...	102	...	...	...	98	...	101	102	111

GOLD AND FOREIGN EXCHANGE HOLDINGS (7) (mn. U S Dollars, end of period)

	Austria	Belgium	Denmark	France	Germany, F R	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey	United Kingdom
1948	62	938	83·7	...	295	6·2	209	539	343	140·6	233	192	1,856
1959	678	1,222	298·3	1,720	4,533	210·4	261	2,953	1,339	256·2	419	265	2,736
1960	697	1,422	255·1	2,070	6,737	223·5	268	3,079	1,742	282·7	471	252	3,231
1961 July	714	1,541	225·3	2,965	6,729	214·7	248	3,232	1,753	272·8	641	223	2,453
" August	740	1,530	216·4	2,810	6,423	214·1	254	3,364	1,710	263·0	637	232	3,486
" September	755	1,552	219·8	2,816	6,437	218·4	272	...	1,723	270·1	632	231	3,553
" October	755	1,610	213·7	2,829	6,199	...	277	...	1,730	260·2	630	239	3,531[9]

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Greece is manufacturing only. United Kingdom includes construction. Germany excludes West Berlin and the Saar. (2) Special trade (excluding re-exports) with the exception of Ireland, Denmark, Norway and Sweden, which cover general trade. Belgium includes Luxembourg. Italy includes Trieste. France includes the Saar in 1948. Turkey liras per U S dollar: beginning September, 1960; 9 previously, 2·8. (3) Including direct taxes. (4) July to December. (5) In capital cities only for France, Turkey, for Greece prior to January, 1960, and Austria prior to March, 1959; Austria (prior to March, 1959), Denmark and Belgium exclude rent; Denmark includes direct taxes; Ireland based on August, 1953=100. (6) Index numbers of unit value which are influenced by changes in the composition of trade as well as price movements. Ireland seasonally adjusted. Turkey index in terms of U S dollars. (7) Holdings of the government and central bank. German figures from 1959 exclude long-term and earmarked assets; Norway and Sweden include foreign investments; Ireland includes some long-term British securities. (9) November, 3,556. (10) Bizonal area. (11) Thousand million old drachmas. (12) Average for second quarter. (13) 1949. (14) Special trade. (15) Including trade with the Channel Islands and United Kingdom whale fisheries. (16) November 360·9. (17) November 319·4. (18) November 128.

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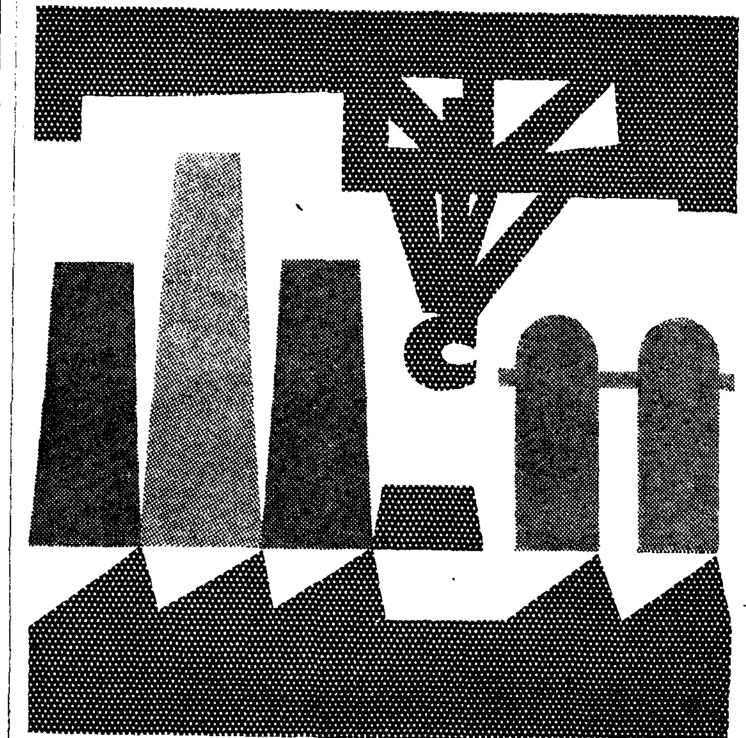

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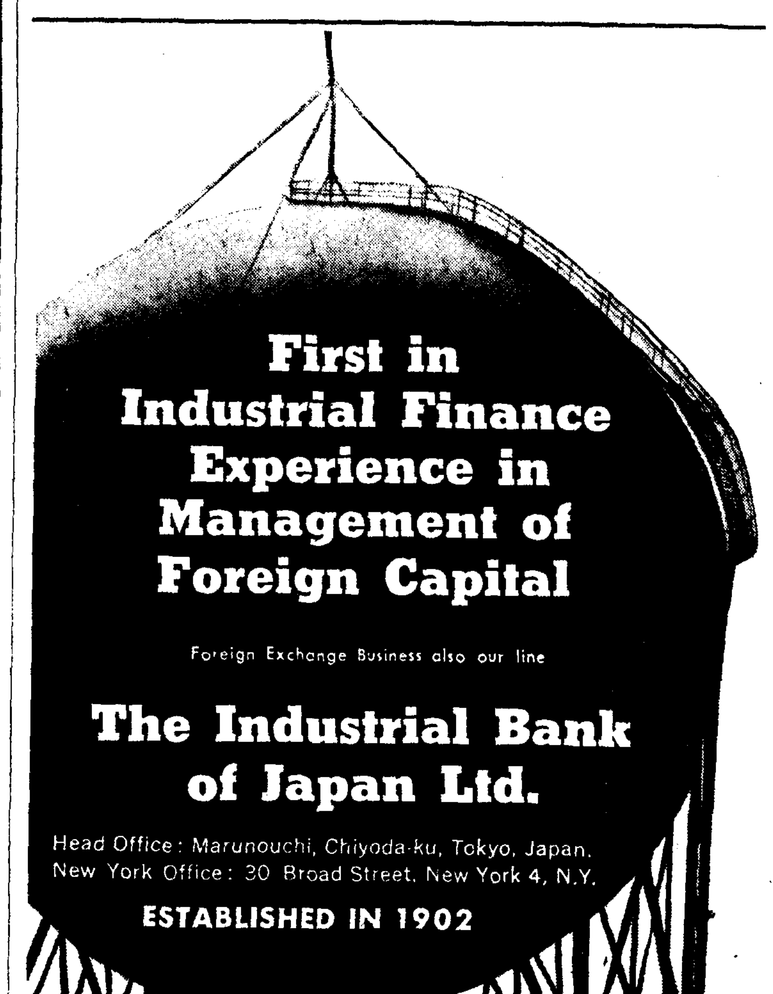

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Christmas Island?

Europe's Deterrent

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Middle East

New Year Irresolutions

992

In The Economist this Week December 30, 1961

INTERNATIONAL

LIGHT IN DARKNESS

The only light in the gloomy world landscape scanned by President Kennedy and the Prime Minister at Bermuda was their determination to press ahead with talks with Russia on Berlin (p. 1265).

So long as there is hope of serious East-West discussions on central Europe, the West should not make matters worse by adopting plans for a **European** or **Nato deterrent**. The military need is not yet urgent; there is time to talk (p. 1266).

Papal Summit? A reader's New Year plea for Pope John to act for peace (p. 1277).

THOUGHTS FOR FOOD

Britain's application to join the common market suggests a fresh look at **world trade in food.** The developed countries are becoming major food exporters; the undeveloped countries need markets for their manufactures (p. 1268).

The movement to unite Europe will stop in its tracks, if **the Six** cannot agree about **agriculture** (p. 1274).

WOLF AND BENDING REED

The mobilisation, over Christmas, of British forces to meet—it seems—a threat to **Kuwait,** remains unexplained. It may have been made harder to cry "wolf" again (p. 1271).

Details of Kuwait's overseas investments have been revealed—for the first time—to *The Economist* (p. 1304).

No Arabs have rushed to defend President Nasser against King Hussein's shrill attacks. Arab judgment on **Egypt** is suspended (p. 1272). At home President Nasser is trying to compensate for lost glory by moves to tap popular support (p. 1272).

RELICS OF EMPIRE

China tolerates the Portuguese presence in **Macao.** It is economically convenient (p. 1293).

The Dutch have realised that it is time to get out of **New Guinea** (p. 1297). But negotiations with Indonesia will not get off the ground unless preconceived positions are abandoned (p. 1274).

FIRE AND WATER

Predictably unpredictable, Mr Tshombe has gone back on his undertaking to work with the **Congolese** central government. U Thant has been blaming the Union Minière for arming the Katanga forces. Rhodesia has been accusing the United Nations of atrocities. Once more the danger is growing that the flickering Congo conflict will flare up into a wider conflagration (p. 1276).

Three key African countries, **Tanganyika, Nigeria** and **Ghana,** are to get more American aid (p. 1297).

TRANSATLANTIC NEW YEAR

The Democratic party, in its present disjointed state, will be of little help to its President in the coming session of Congress or to its candidates in next autumn's elections (p. 1288).

Optimism is tempered quite rightly with caution in the American economic forecasts for 1962 (p. 1289).

Mr Zeckendorf will have to keep at least one foot on the ground as the price of having his business life underwritten by the British (p. 1290).

As usual American farmers have been producing too much (p. 1289).

To amalgamate and to put up fares are the means by which the American airlines hope to turn losses into profits (p. 1292).

College students are turning towards politics in a very right-wing way (p. 1290).

HOME

COUNTRY MATTERS

The New Year looks like being highly uncomfortable for the Government: the Tories can brace themselves for reverses at the polls, revolts from backbenchers, a crisis over Europe. Mr Macmillan must put his best feet forward—and not rely on the history of 1958-59 fortuitously repeating itself (p. 1267).

Working men's clubs are no longer the dingy pockets of underdoggery they once were thought to be: rich and numerous, they are a power in the land (p. 1270).

Britain's mass slaughter on Christmas roads may stem from Britons' mass pleasures at Christmas parties (p. 1273).

SOMETHING IN THE CITY

The moneylender is the ordinary man's traditional succour in desperation: and the sucker still seems willing to pay through the nose for his services (p. 1301).

Birmingham's overspill problems cast doubt on the soundness of some "sound planning"—and on the determination and ability of the Government and local authorities to plan soundly (p. 1287).

The Government's plan for Greater London has inherent weaknesses, which ought to be isolated and corrected (p. 1276).

BIRDS IN THE WILDERNESS

Government-aided aircraft builders are crying plaintively but vainly for sustenance the Government cannot provide: they are reluctant to thin their flocks and resentful of successful unaided builders—to whom the Government appears to be behaving badly (p. 1299).

A Sheffield survey has uncovered a mess of drift, indecision and dead ends in the matter of school-leavers' employment (p. 1286).

RUMOURS OF WARS

Rehearsal rather than genuine preparedness (for this or similar contingencies) makes the periodic relief expedition to the Middle East read better than it plays (p. 1272).

Attacks are being mounted on the pause by post office workers and electricians: in another part of the forest, ITA and Equity continue to wage their war of attrition (p. 1273).

Davids with "hot" camshafts are denting the amour propre *of six-cylinder Goliaths (p. 1306).*

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Chill Winds

STATESMEN cannot and should not deck truth with tinsel to match the public mood at holiday times. Mr Kennedy and Mr Macmillan must have foreseen that the reference to preparations for a resumption of nuclear tests above ground would be the thing most likely to make headlines in their communiqué from Bermuda; and that these headlines would carry a chilling message into homes where festive warmth was in demand over the long Christmas weekend. The prevailing fashion of meeting to discuss the world's bleaker problems just at this season makes this kind of comfortless incongruity unavoidable.

The Bermuda communiqué presented the agreement on nuclear testing (for which, with sad significance, Christmas Island may be the site) as no more than a precautionary one. In spite of the ominous findings of the American inquiry into the implications of Russia's recent "massive series of atmospheric tests," no definite decision that the United States will now carry out tests above ground has been announced. The President and the Prime Minister merely agreed that preparations should be made, "as a matter of prudent planning for the future." It is clearly the intention to hold off the "final decision" long enough to give a chance of success to the imminent exploratory talks on Berlin and related questions with the Russians. And everything indicates that the Bermuda meeting has helped to clear the way for these talks, with the American ambassador in Moscow assigned the task of making the first contacts, while his British colleague stands politely in the wings in deference to French susceptibilities.

The prospect of movement on the Moscow front, however cautious, is at least more heartening than most of the other visible elements in the western world's cold New Year outlook. Admittedly, there may have been some exaggeration about the depth of the gloom that India's occupation of Goa has cast over the viability of the United Nations and the evolution of codes of moral behaviour between states in general; and the precautionary British moves in the Middle East during Christmas week now seem to have rested as much on a simple assumption that a fresh threat to Kuwait might logically follow the Indian move into Goa, as on the evidence, not very substantial, of an imminent Iraqi attack. But the UN is still deeply enmeshed in the Congo, where Mr Tshombe has, almost predictably, backtracked from the commitments he was supposed to have undertaken at his meeting with Mr Adoula, making it more doubtful than ever whether he is really in charge in Katanga; while his more intransigent partisans seem bent on holding out for independence, and the danger of a civil war backed by outside powers looks no further distant than it did in the July before last.

Among themselves, the western allies have once again proved unable to resolve satisfactorily the problem of shaping a common deterrent system that would scare off Soviet threats without striking equal fear into western hearts: the article that follows is devoted to this continuing problem. The sunny side of the Bermuda meeting—the firm decision to keep probing in Moscow—has not disposed of the ultimate difficulty of securing allied agreement on terms for a Berlin settlement; nor has the personal cordiality between Mr Kennedy and Mr Macmillan closed the gap between their two countries' attitudes to African affairs, attitudes of which their conspicuous disagreements over the Katanga conflict were merely an example.

The New Year both marks a challenging deadline for the six nations of the

European Economic Community, and ushers in a climactic period of stress for Britain in relation to the Six as well as for other countries whose trading perspectives depend on the eventual form of the enlarged European unity. Western Europe faces another danger apart from that of failing to unite: that it may be manoeuvred, or may manoeuvre itself, into a well-heeled but barren and ineffectual isolation.

These are all chill winds, but not killing ones. Passing from the coldest Christmas for many years into what promises to be a hard New Year, this country and its neighbours should not be resigned to letting international relations rest in a deep freeze through the winter. A frosty tingle in the toes can stimulate thought; and the thinking that is now needed is of the type that may be called painfully clear.

Europe's Deterrent

Is Nato really in need of a strategic missile force of its own?

HERR STRAUSS, the west German minister of defence, is a purposeful man who generally gets what he wants. What he wants just now, it seems, is a Nato deterrent; to be more precise, a force of medium-range nuclear missiles in western Europe under the joint command of the Nato powers. On December 14th he persuaded the meeting of the allied foreign ministers in Paris that the permanent council of Nato should look into the question "at an early date." President Kennedy said in May that he was willing to consider the idea of a multilaterally controlled missile force (though he added an important qualification that went largely unnoticed), and the immediate response of many people is likely to be that, Nato and the deterrent both being Good Things, a combination of the two must be even better. It may not be so; the allies ought to look twice at some of the difficulties involved before they leap at Herr Strauss's proposal.

There is no need to argue with Herr Strauss's premises, which are shared by a number of people who have put forward similar ideas. They point out, quite rightly, that the promise of the United States to send the Strategic Air Command into action if the Russians make a major attack on Europe is gradually becoming less convincing as the Americans realise (and the Russians realise they realise) that they would suffer hideously in return. Ever since the Russians acquired a significant number of long-range rockets it has been obvious that, sooner or later, the credibility of this promise would decline to the point where western Europe would have to take part of the burden of deterrence on its own shoulders; and there are overwhelming arguments against each country in western Europe trying to do this individually—as Britain has done, and France is beginning to do. The question is whether the decline in the credibility of the purely American deterrent has yet reached danger point, and whether the military advantages of a jointly controlled force outweigh the political disadvantages.

These political disadvantages spring from the extraordinary difficulty of defining "joint control"—that is, who gives the order to fire the missiles. The simplest scheme, as suggested by Mr Alastair Buchan, would put the missiles under a Nato commander responsible to an inter-allied council (perhaps the existing permanent council in Paris) containing political representatives of all 15 nations. But this would not only be cumbrous—one can imagine the multilateral arm-twisting as these fifteen argued whether to fire or not—it would also leave the main question unanswered. So long as the United States possessed a veto, the European members of the alliance would have no guarantee that it would press the button when they wanted action, or refrain when they did not. All they would have gained would be the ability to plead their case on the inter-allied council.

Several ingenious ideas have been put forward to get round this difficulty. Dr Stikker, the secretary-general of Nato, wants a veto-less system of weighted voting under which any given country, perhaps even the United States, might be overruled by a majority of the rest. Mr Glenn Snyder, an American who has just written a sensible book on the whole problem of the deterrent,* suggests a semi-automatic system in which the missile commander would be given prior authority to begin the count-down in certain defined contingencies—and perhaps even to fire—unless the political authority actually told him to stop. But the root of the problem remains. It is hard to foresee any legislature, particularly the United States Congress, agreeing in advance to a mechanism that might subsequently land it in a nuclear war against its will. The blunt fact is that the two parts of the alliance cannot guarantee that their interests will always coincide in any future crisis.

The problem might be solved if it were possible to create not a Nato deterrent, but a joint west European one. In the sort of crisis that would call for the use of strategic nuclear weapons (the threat of a major Russian onslaught on western Europe) the interests of the main European allies would presumably coincide enough to make their decision quick and unanimous. The more supranational the deterrent was—the closer it got to being a nuclear European Defence Community—the more convincing it would look to the Russians. Among others, Mr Ben Moore in "Nato and the Future of Europe" has proposed a strictly European force. The trouble is that such a force would draw attention to the geographical cleft in the western alliance, and would also superimpose a second command structure in Europe on top of the Nato one. In any case, it is doubtful whether Britain and France are anywhere near to becoming ready to put their private nuclear forces into a common European pool. For all these reasons, this particular scheme seems to have been left to gather dust in the pigeon-hole of brave ideas.

ONE other, slightly different, solution has been offered for the problem of "fifteen fingers on the trigger"—which is a problem both of fingers that freeze and of ones that itch. It seems to be Herr Strauss's own preference, though he has not set out his proposals in detail, and indeed said on December 20th that the allies ought to keep their discussions private. This solution would preserve the idea of a deterrent controlled from both sides of the Atlantic, but it would sharply reduce the number of countries taking part in the decision whether or not to press the button. One participant would always be the United States (Herr Strauss has emphasised that in any particular case the President would have to give his consent to firing); the other chief one would be "the country threatened or directly concerned," to quote Herr Strauss.

If this were the way a Nato deterrent turned out, in many cases west Germany's would be the second finger in a two-fingers-only arrangement. Indeed, if German officers rose to high positions in a Nato missile command, Bonn's share in the control of nuclear weapons would grow spectacularly.

Doubtless this prospect makes scalps tingle from Liverpool to Leningrad, but that is not the important point. The main point is that, unless and until military necessity dictates otherwise, any marked rise in west Germany's nuclear status ought to take second place to a renewed attempt to reach an agreement with the communist powers about the future of central Europe. The future relationship between the Federal Republic and nuclear arms might yet be a subject of east-west discussion; if it is settled in advance, the division along the Elbe may freeze for years ahead.

Does military necessity require the sort of deterrent Herr Strauss wants? Not quite yet, so far as the layman can tell. Herr Strauss himself, presenting his ideas to the allied foreign ministers in Paris, spoke as if the problems caused by the Russo-American balance of power would come to a head not now, but in the next two or three years. Mr Glenn Snyder, in the book quoted, argues that Europe may be able to rely on the American deterrent longer than some people think:

> It can stand repeating that what counts in deterrence is not what we are willing to do, but what the enemy *thinks* we may do. . . . Even a very small chance, in Soviet estimations, that the United States might retaliate strategically to a massive ground attack in Europe might deter such an attack.

Fortunately, there are signs that President Kennedy agrees. When he spoke at Ottawa in May about the Nato deterrent, the President's only firm offer was to put five or more Polaris-carrying submarines in "the Nato command area." In fact, most or all of the Americans' existing force of Polaris submarines presumably spend much of their time cruising in North Atlantic and Arctic waters within reach of European Russia. Probably the most Mr Kennedy's offer means is that the order to fire their missiles would come to them via the Supreme Allied Commander, Europe, in Paris rather than the US naval Commander-in-Chief, Atlantic, in Norfolk, Virginia; it would come to either from the White House.

When President Kennedy turned to the possibility (he put it no more strongly than that) of establishing a Nato missile force "truly multilateral in ownership and control," he added two important reservations. First, it must prove feasible; second, this multilateral force must wait until Nato's non-nuclear requirements had been satisfied. The implication seems clear: the creation of a joint allied nuclear force can wait a little longer; conventional rearmament is the more urgent.

To put a number of submarines under General Norstad's command (and perhaps to station an allied officer in each of them) would for the time being help to allay the fears of Europeans who think they are being left naked to a Russian attack. In the end, it may be necessary to go on to establish the "truly multilateral" missile force Mr Kennedy spoke of. But before Nato undergoes a sea change into the world's fifth nuclear power—and west Germany thus acquires a substantial nuclear authority—diplomacy should be given another chance to disentangle the problems of central Europe. Diplomacy and defence are not substitutes for one another, as Mr Kennedy pointed out in Seattle on November 16th. The pursuit of nuclear strength in Europe, if carried beyond the precise needs of the moment, may put both East and West in a posture where conciliation becomes impossible.

* Deterrence and Defence. By Glenn H. Snyder. *Princeton University Press*. London: *OUP*. 52s.

New Year Irresolutions

A look at the British political prospect for 1962

THE economic prospect before Britain in 1962 will be discussed at length in *The Economist* next week; it does not seem particularly bright. Nor does the probable political prospect before the Government, so far as it can be predicted.

The most probable prediction for the early part of 1962 must be that the Government is likely to suffer some serious reverses in by-elections. It may even lose some Torrington-like seat or seats to the Liberals; probably it will lose some seats to Labour, too, but mainly because its own voters are staying away from the polls or voting Liberal, rather than because they are rushing to embrace Mr Gaitskell. This, in other words, looks suspiciously like being early 1958 all over again. Between early 1958 and the general election in the autumn of 1959, the Government enjoyed a remarkable recovery in public favour. It seems to be supposed that the Government should be able to make a similar recovery between early 1962 and the autumn of 1963 (when most pundits expect the next general election). But why?

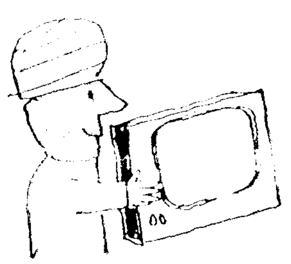
Last time the Government secured its recovery by getting into an industrial boom at just the right moment; it did this after temporarily beating cost inflation through standing up to a strike—Mr Cousins's London bus strike in the spring of 1958—and then proceeding to reflate demand and production within the economy. It seems only too probable that it will miss that trick in 1962; the odds are that it will run away from a strike (and thus from imposing effective wage restraint), and then proceed to introduce a deflationary budget. Of course, it might still escape; last time it stumbled on the right policy by a last-minute revolt of the Cabinet which brought resignation from a Chancellor who was committed to deflate demand, and by the ham-handed tactlessness of a big trade union leader in Mr Cousins. The second of these *dei ex machina*, at least, could still come to its rescue this time. But, on the present balance of probabilities, one's assumption must be that 1962 is likely to be a year of continued trade union pressure, continued lack of buoyancy in production and therefore general dissatisfaction with the Government.

This could have a major bearing on the biggest decision due in the year: namely, the decision whether or not to integrate Britain into Europe. Here again the most probable pattern can be predicted. It is no good pretending that Britain is likely to get into Europe on terms that will seem satisfactory to every Commonwealth producer of glutted temperate agricultural products, and to every conceivable domestic and EFTA interest. The concessions that Mr Heath will eventually have to make will almost certainly be somewhat larger than saying that perhaps our tariffs will have to be raised against some marginal Commonwealth manufactured goods and that perhaps we will not be able to go to the stake in order to satisfy the last ounce of East Anglian or Portuguese pressure about safeguards for tomato purée. Some time during the coming year there is therefore likely to be a domestic political crisis over Europe. Either Britain will ride over it into the realisation that it must still go into Europe, even though Commonwealth governments will be saying some very rude things about our decision ; or the negotiations with Europe will fail. One's guess is still on the side of supposing that they will not fail ; but this is where the likely political background against which the decision will be taken becomes so important.

A very possible background, to repeat, is one where the Government may be losing ground severely in the country, where Tory morale may temporarily be very low indeed, and where there may be a general supposition in the press that the next government could be a Labour one. Of course, one can never forecast that the present British Labour party will not throw its best chances away ; when and if any general supposition about an impending Labour victory in 1963 or 1964 catches hold, it may be as right to discount it as it was right to discount glib talk two years ago about the supposed certainty of "Tory government for at least ten years." But any such new supposition about Labour's brightening chances could create an awkward atmosphere of its own within the Tory party.

This would be a situation that could be very ripe for Tory backbench revolts ; backbenchers are much more likely to revolt against party leaderships that seem to be directing their party towards a period of Opposition, than against leaders who are assumed to be likely to be in charge of ministerial patronage for another five years. Until recently, the Tory right wing had not been driven neurotic by the sort of bitter internal strife stirred up at the time of Suez. But now have come Katanga and Goa, and although the Right has not had to taste Suez's humiliation and gall, it has experienced two other sensations that could be almost equally dangerous : it has acquired a supercilious feeling of superiority towards lesser breeds like Mr Nehru and the United Nations in Katanga, and a knowledge that backbench revolts can sometimes succeed in swaying government policy.

This, then, is the political tightrope which Mr Macmillan might have to balance himself across in 1962. It will be a year that may require a very cool sense of balance indeed. He should not allow himself to be impeded by anything that may hamper that surefootedness. Not by that languorous unwillingness to look at possible dangers ahead which some people miscall his imperturbability. Nor by short-sighted eagerness to avoid temporary domestic inconveniences or rows. Not even by loyalty to any ministers in his Government who are plainly misplaced in their jobs.



Boxing the Trade Compass

Developed countries are now the biggest agricultural exporters; the developing countries need new markets for their industries

POPULAR mythology sees foreign trade as the swapping of machinery and industrial products made by clever Europeans and Americans for food and raw materials produced by Hottentots. Ancient Britons (Mr Harold Wilson's phrase) can still be heard asking why the Europeans should take in each other's washing by trading in a common market, when Britain ought to be exporting to Commonwealth countries to pay for food. In practice the great expanding markets for British exports in the postwar years have been, not the deserts and jungles of the undeveloped nations, but the maturing industrial economies of Europe and North America ; and it is in those economies that mass markets for durable consumer goods and capital equipment will continue to be found in the next ten years. This fact lies behind the formation of the common market, Britain's application to join, and the new American interest in a still bigger partnership.

Even sophisticates, however, have not all taken in a second remarkable inversion of the popular image ; the rich industrial countries have become not only the main markets for each other's industrial products but also the main exporters of food. The world's largest agricultural exporter is also the biggest industrial power, the United States. The common market countries at present satisfy 90 per cent of their food needs, and may soon be self-sufficient and indeed exporters of some products, like coarse grain. The main Commonwealth exporters of food—Canada, New Zealand, Australia—are, though only partly industrialised, countries with higher living standards than Europe.

All this is in a sense a creditable result of high productivity and investment. As labour has moved from the land into industry, modern agriculture has become a capital-intensive industry. The New Zealand farmer, scattering his fertiliser by light aircraft, even the British farmer with his tractor and machinery, produces more and invests more per unit of labour than many British industries.

But while production methods on western farms have advanced by leaps and bounds, methods of marketing have not. High production is sometimes the result not of high productivity, but of high protection. Subsidies and high protection in one country produce surpluses and dumping in the next. More protection follows. The net effect has been a damping down of the growth of international trade in food, which encourages everyone but the efficient exporter.

All this has been bewailed by agricultural exporters for years—with no effect whatever. Britain's application to join the common market has brought it to a head. Though protection by subsidy in Britain is as high as by tariff on the Continent, the British market is still the biggest outlet for agricultural exports from Canada, Australia and the United States. If Britain is to participate in a common European agricultural policy, the interests of these agricultural exporters will have somehow to be satisfied by Europe as a whole. The decision by the General Agreement on Tariffs and Trade earlier this month to embark on a series of world-wide commodity conferences is the consequence of the upheaval.

One bright idea for solving the problem of the West's bulging barns and dairies without tears is to make better use of surpluses. Instead of dumping them on other people's markets, it is suggested, surpluses should be put into a common pool (financed jointly) and given systematically to the governments of the two-thirds of mankind who still go hungry. Food production is after all one of the West's great economic successes. It seems absurd that abundance should be a burden when the constant failure of collective farming to produce enough hangs like an albatross round Mr Khrushchev's neck.

Detailed ways of giving food as aid are not hard to find. There have been times in India and Pakistan when American surplus wheat has staved off famine ; the existence of a common western pool might save lives in any future emergency—another Congo or Angola. Food aid can also play a systematic part in development. As economic growth takes off, demand for food often rises sharply, placing a strain on a country's balance of payments which could usefully be relieved from surplus stock abroad. Care has to be taken that surpluses do not spoil existing exporters' markets. But the New Zealanders themselves have pioneered a scheme for giving powdered milk to Bombay's school-children (who would get none otherwise) which could be the forerunner of others. The British Egg Marketing Board is working on another scheme in collaboration with the United Nations Children's Fund.

A formidable consensus indeed—the head of the Food and Agriculture Organisation, the National Farmers' Union, the Australian minister for trade, the foreign affairs committee of the French Assembly—backs this idea of a more systematic use of surpluses. But one interest is conspicuous by its absence: the tax-paying consumer in the western countries. It is true that the French approach is generous. To help solve Britain's common market problem, the French government appears to be willing to make a financial contribution to a surplus pool. But there must be doubts about a plan that would make life so very comfortable for producers. What inefficient industry would not like its products to be bought by a common fund and given away ?

Plainly a new world-wide farm deal must not only dole out surpluses but also keep them in check, and encourage low-cost output that makes use of the formidable array of new methods that are open to the farmer. Wisely, the French sponsors of the new Gatt discussions have proposed that subsidies should be removed and an attempt made to set "normal," realistic prices in the different countries as a step towards freer trade. But the French have not yet fully taken in the big differences in prices between those countries where the agricultural revolution is far advanced and those, generally highly protected, where it is not.

Wheat is grown in Canada and Australia at half the French cost, not because of subsidies but because of vast scale. The contrasts within Europe itself—between Holland and, say, Bavaria—are familiar enough. The one sector of British farming where intensive research and mass production methods have brought prices tumbling down—the broiler fowl industry—is the one sector where there is no protection at all. If, in the next decade, agriculture in Europe is to become "agribusiness," employing the scale and methods of industry, and with the farm worker a well-paid technician instead of a drudge on the ancestral holding, protection must come down.

In all this the United States tends to be more preoccupied with the beam in Europe's eye than with the mote in its own. And indeed in the Brussels negotiations for British membership of the common market, and in new world talks in Gatt, America, with its great export interests, will be a force—with the Commonwealth pulling the same way—to get European prices and protection down. But in return Europe can properly demand a dismantling of American protection. The French are perfectly right to point out that American wheat —unlike Canadian—is sold (dumped ?) abroad at well below the home price. If American grain is to get assured outlets in Europe, there is a case for ensuring that New Zealand or Danish cheese gets better outlets in America. A gradual downward alignment of support prices in the main farming countries and a reduction of trade barriers must apply the method of the common market on a wider canvas.

AS agriculture expands in developed countries as a great capital-intensive industry, more has also to be done to give undeveloped countries outlets for labour-intensive manufactures. For apart from tropical products not grown in Europe and America, there is not much else they can export. This—the problem of Indian textiles and Hongkong toys—is the second major problem precipitated by the British application to join the Six. It will become more urgent than ever if a new Atlantic grouping is formed.

Here again, there is little chance that the problem will be solved by retaining the present preferences and free entry for Indian or Hongkong products in the British market. The likely answer will be a joint effort by all the western countries to import more ; a start has already been made in the textile deal sponsored by Mr George Ball in Gatt. But here, too, there is still a great gulf between the dawning realisation in Europe that something must be done and the need itself. Britain imports 30 per cent of its consumption of cotton textiles from developing countries, the Six import 5 per cent of theirs. It is true that a small effort by all the major western countries to import more from the new countries would be less painful than a big effort by a few. But few western countries have yet taken in the idea that they are not going to be able to export to the new countries, if they do not import at least some manufactures in return.

There are many ways of developing a liberal Atlantic trading policy. But whichever way is chosen, one main objective should be to make the new import opportunities as flexible as possible so that the new industries of Asia, Africa and Latin America have not only access to western markets, but the chance to compete among themselves and to switch from one product, say, textiles, to another, say, ships. A low tariff would be a better form of protection than quotas ; and where quotas still exist, as they do at present, the sooner they are made multilateral, so that several exporting countries compete together, the better. The pattern of world trade has shifted incredibly in the past decade ; any new trade system must leave room for equally dramatic changes in the next.

Very Clubable Men

A survey of working men's clubs

THERE is a classic dichotomy in the desires of mankind between gregariousness and exclusiveness, to one of which, in countries unafflicted with the English genius for compromise, the non-schizoid will must bow; but in England a middle course is struck which avoids the grosser discomforts of both worlds, while not quite achieving the best of them. England has some 24,000 clubs.

Some, the euphoric palladia of Pall Mall, are havens from the intolerable pressures of a life of wealth. Others are not at all like the Athenæum: perhaps a third of all English clubs are privately owned for gain, including some which are skaters on the thin ice of the licensing or gambling laws. Many more promote the well-being of the games-conscious; and what are left are the constituents of the British Legion, the Association of Conservative Clubs, and the Working Men's Club and Institute Union. The latter, with 3,500 member-clubs and 2¼ million members, is by far the most important of these.

The Working Men's Club and Institute Union achieves its centenary next year, and will celebrate it with the opening of a splendiferous, if not indeed grandiose, new headquarters at Islington. At £250,000, this will be a long way from the tile-and-lino *longueurs* of the Clerkenwell Road, where the union now holds its not inconsiderable court: and a long way, too, from the patently paternal contrivance of the Rev. Henry Solly, who, in 1862, raised the clubs from scattered pockets of penurious resentment against the grinding frustrations of Victorian working-class homes (and marriages), from "desperate oddfellow societies," to togetherness—and the approval of such diverse luminaries as Lord Rosebery and Sir Herbert Praed.

In Solly's day there were fewer than 400 clubs. Horizons have widened as numbers have grown. The union was conceived as a temperance body, dedicated to the sober fulfilment of what Solly considered to be the working man's destiny—something far removed from the ideas of other Victorians, but just as far from the militant egalitarianism of today. It was on Rosebery's initiative that the shackles of teetotalism were cast off; and today the union's clubs turn over £51 million a year in excisable goods, and collect nearly £1 million in rebates from the five breweries which they jointly own (limits of investment: £50 for a man, £1,000 for a club). And the weight of £33.5 million in assets backs its pressures (mainly in matters of drink) on Parliament, where 145 Members are members.

But the union is not selfish of its makings and takings: £100,000 goes annually to charities; and it provides for the benefit of its sick members four convalescent homes in Kent, Yorkshire and South Wales, where they may recuperate in disciplined comfort (bed at 10 p.m., meal attendance compulsory) for something under half the cost of their being there. Over 5,000 convalescents a year stay in these homes for a week or more; and the union's boast that no hotel in England could do better for them is not entirely vainglorious. Certainly no hotel could do better, or as well, on £3 10s. a week.

A common image of the working man's club is of a barn-sized room, cold, perhaps dirty and certainly dingy, with drinking in one corner, billiards in another, a Worker's Educational Association lecture and a political meeting filling the other two. Since premises are, in the main, still left over from the last century, the barn-like rooms remain; but all else is changed—the bar grown to giant dimensions, the spittoons and sawdust thrown out as the lectures have been (in all but 517 cases), and relaxation rather than self-improvement the keynote of the decorations. And if, in some, the distinctive odour of disinfectant does not always mask other odours no less distinctive, if the décor does not always achieve the eradication of bleakness, there are other clubs in which tremendous improvements have been made; and these latter are in the majority.

The educational function of the clubs is much narrowed since the days of patronage and betterment: they have abandoned the utopian trudge towards culture and confine themselves to matters close to themselves—club management, club law, club accountancy and a few general subjects. They have become ends in themselves, and to these ends weekly day-schools, week-long spring and summer schools are conducted at Ruskin College, Oxford, and Leicester University. "Your Glass of Beer," "My Club," "Financial Depression in Clubs and Suggested Remedial Methods" are typical lectures, many of them under the aegis of the WEA. In addition a "club management diploma" is available to the diligent, and the more senior of the union's officers wear with pride the letters CMD after their names.

NOT all the clubs' educational efforts are so introspective: every year a clubman is sent, fully financed even down to his laundry fees, to Ruskin College, generally to ponder political science and economics; and if he is good enough, he will continue there for a second year. Some of these diplomatists go on to the University. There is, too, a travelling scholarship, which annually liberates one member from the sodden industrial gloom of the English winter and transplants him to the Antipodes. Again, not a penny need come from his own pocket. Does the Junior Carlton do as much?

The pattern of recreation in the clubs has changed, too, and from billiards and pigeon-racing (though these are not forgotten) they have spread to such anti-plebeian pursuits as

shooting and fishing and golf. Gambling is not admired, and bingo is advised against: the let-out provided by the Small Lotteries and Gaming Act of 1956, requiring as it does the annual registration of the small gamer with his local authority, is considered too ignominious a course to be seriously contemplated by the clubs, who are nothing if not deadly prideful.

In protest, for example, against those provisions of the Licensing Act of 1960 in which regulations are made for the control of clubs, the union complained of "the indignity of crawling to the Bench" to register themselves annually, when anyone could protest against their registration. They added a gratuitous attack upon teetotallers; swore that only a fool could compare them with public-houses; accused the justices of probable political or temperance bias; and prophesied the advent of a police state if the police, in the course of their duties, were to be permitted to enter clubs without warrant. This intolerable deal of protest, it may be thought, goes ill with a ha'p'orth of virtue. The record of the union's clubs is a good one; but there are instances of raids, disqualifications and convictions. And that the offenders are sacked from the union does not mean that they do not offend.

The union itself is politically and religiously neutral, but its members range from Radical Clubs through all shades of pink and mauve to Conservative Clubs outside the pale of their Association; and there are Catholic and Jewish, ex-service and variety artists' clubs. Class is not emphasised, but a motion to delete the "working men's" from the union's title was heavily defeated by members a year ago. Some segregation by sex exists, however, and even in the 1,900 clubs in which women are permitted as members they do not seem to be over-popular, for only a seventh of the total membership is female. Yet the union confidently bases the popularity of the clubs on their "family" attractions.

The distribution of these clubs over the country seems to bear out their Englishness: where industry is thick, so are these pockets of class solidarity (but no one could explain why Leicester is their Mecca); in South Wales, where anglicisation has gone furthest, there are many—but few in rural areas of Wales; Scotland is poor in the clubs, and Ireland has only three. The story that most of them are merely devices for slipping drinks to the thirsty when the pubs are shut is refuted by some of the peculiarities of this geographical distribution, by the intensity with which some other club activities are carried on and by the sternly puritanical tone of some club rules (although this may stem from the fact that rules must be approved, in most cases, by the Registrar of Friendly Societies). Many clubs have large and frequently used concert halls in which, unless their camouflage is excellent, the rumoured strip-tease shows do not take place; on the contrary, the tenor of entertainment is markedly old-fashioned.

The clubs, perhaps, would amount to very little without their union, which advises them, fights their battles, produces a monthly paper for them and about them, lobbies for them and settles their internecine squabbles. But neither, perhaps, without their union, would they have assumed their apparent present purposes: to be as exclusive of strangers as any Pall Mall mausoleum, to be privileged above and beyond the common run of mortals (who must suffer the pressures and regulations of the state as best they may), and to be not the channel for effort but the focus of it. Whether these purposes are wholesome is at least arguable. But they flourish under the union. And the importance of its clubs cannot be ignored. After all, 4 per cent of the nation belongs to them.

NOTES OF THE WEEK

MIDDLE EAST

Anybody Order Wolves?

TENSION in the Middle East, explained a spokesman from the British Ministry of Defence, rose sufficiently over the Christmas period to justify the sudden strengthening of British forces there. On Wednesday, an aircraft carrier, with a small attendant fleet, sailed from Mombasa in the general direction, it was allowed to be assumed, of Aden and the Persian Gulf; the same day, the 200 servicemen whose missed Christmas dinners had caused some publicity were flown from Britain to the Middle East.

These minor, yet noisy movements had, again according to the Defence Ministry, prepared the British Middle East Command for any emergency; since the need for precautions seems to have been the ministry's exclusive discovery, only the same ministry can say when the tension is over. The whole baffling affair was generally interpreted as a defensive move taken because somebody somewhere suspected General Qasim of immediate aggressive designs on Kuwait.

If there were substantial grounds for this suspicion, nobody has so far been let into the secret. The evidence so far all seems rather circumstantial, not to say far-fetched. True, General Qasim had reiterated his country's claim to Kuwait on Christmas Eve, and in a rather more bellicose fashion than usual; on the other hand, his experience last time should have taught him not to announce his intentions beforehand, if he really had any. Otherwise, the British detective work seems to have been based largely on ponderings about the repercussions of India's action against Goa, possibly reinforced by a report of troop movements at Basra, which may or many not have had anything to do with Kuwait.

The publicity given to the British defence moves, and the uncommon tactlessness of an official explanation that said too little but implied far too much, are both unfortunate. The dexterity with which, a few months ago, Britain handed over the defence of Kuwait to the Arabs themselves is in danger of being wasted. But even if the incident had been less bungled, no discretion could have disguised the painful awkwardness of the British position in having undertaken to protect the ruler of Kuwait and yet, for political reasons, not being able to keep any troops in the sheikhdom itself. For, if General Qasim at any time decided to take the risk of dispatching an Iraqi army into Kuwait, he would probably not be decisively checked by the untried Arab army of 2,000 Jordanians, Saudi Arabians, Sudanese and Kuwaitis.

The strength of this Arab force has always been described as moral and political rather than military. But it is doubtful whether the Iraqis, once in Kuwait, and with an ace of becoming the richest country in the Middle East, would be dislodged by the moral condemnation of the Arab world. Egypt's decision to remove its tiny contingent (which finally left on December 22nd) has weakened the political unity of the force that is left. The precautionary moves that the British took this week may have been unnecessary and were certainly mishandled for want of better public relations; above all, they have underlined how difficult it will be to cry "wolf" yet again.

DEFENCE

Thin Blue Line

THE relief of Kuwait is the Ministry of Defence's favourite and best-rehearsed exercise. It is easiest to carry out, and looks more credible to outsiders, when the Admiralty has the prescience (as it had last summer) to keep a commando carrier in or near the Persian Gulf. Even so, there were serious doubts last time about the adequacy of air support for the troops ashore had the Iraqi armour really rolled forward in the early days: an aircraft carrier passing through the Suez canal is not the most dependable of reinforcements. This time the carrier *Centaur* was at least at Mombasa at the outset of the emergency. (Where will it be when Mr Kenyatta is head of an independent state?) But the new assault ship, forecast in the last naval estimates and urgently needed for the brushfire type of operation, is still only a contract in the hands of its Belfast builders. The concept of an effective aero-naval and marine commando force to deal with emergencies east of Suez remains a long way from reality.

For the present it is possible (subject to the capabilities of Transport Command) to move small packets of troops by air from East Africa to the Gulf and even, with Turkish and Persian permission, to by-pass Arab air space from Cyprus. But the fact remains that if Britain intends to keep up most of its present obligations east of Suez it will have to develop forces that bear some modest comparison with the American multi-purpose fleets in the Mediterranean and Far East. Political changes in East Africa and Malaya-Singapore are likely to mean that the days of ground force garrisons are numbered, even if it were not desirable for other reasons to station a larger proportion of the army in Europe. At the same time the argument for getting troops out of quiet bases like Gibraltar and putting them (or more marines) in boats has been strongly reinforced. The signs are that the next defence white paper, due in a matter of weeks, will mark the beginning of such a redeployment. But the only way to make even limited savings in manpower outside Europe without cutting commitments is to provide ships and aircraft, of the right kind and in the right numbers, to fill the gaps. They are not on the spot now.

EGYPT

Some are Chosen . . .

AFTER two weeks of public deliberations, the committee appointed by President Nasser to define the "popular forces" in the United Arab Republic came up with a set of statistics. It decided on December 19th that the National Congress of Popular Forces, which is to form the base of the president's new democratic experiment, will have 1,500 members. A quarter will be peasants and small farmers, 20 per cent industrial workers, 15 per cent trade unionists, 10 per cent business men, 9 per cent civil servants and 7 per cent each teachers, students and women.

President Nasser's earlier efforts to garnish his authoritarian regime with the trimmings of democracy came to nothing; this was partly because the men selected for the various assemblies were almost always local bosses who, while saying what was expected in public, were primarily concerned with keeping things as they were. Now these men, and many others, may find themselves ruled out by the committee's decision that any person who has worked against the government or even tried to make himself rich at other people's expense will be disenfranchised and "isolated."

The committee's debate, which has been broadcast, televised and generously reported, revealed a sincere if muddled attempt to evolve some new compromise between totalitarianism and democracy. It did also demonstrate that President Nasser has a masterly grasp over the details of his one-man show. But above all, it shows the regime on the defensive. With middle class support slipping away, the Egyptian leaders are staging an all-out effort to give some responsibility to the majority who, having nothing to lose, may yet be convinced that they have something to gain from the new socialist revolution.

But it becomes more and more problematical whether President Nasser will be able to pursue his ideas in peace. Few Egyptians regretted Syria's break-away; many hoped it would persuade the president to go slow. Instead, he accentuated the pace of socialisation, including the sequestration of private property. The immediate result has been a sharp economic contraction, retail trading has fallen off and unemployment has increased. In Egypt, where one man may support several families, the pinch of unemployment is felt all along the line. President Nasser speaks challengingly of a revolutionary upsurge, but a visitor to Cairo finds few Egyptians who are fired with either enthusiasm or confidence in the government. The social changes towards which the president is whipping the country are exciting; it would be sad if too much haste, and ruthlessness, were to kill this new revolution in its infancy.

. . . Others Dropped

DISMAY was the reaction in Cairo when the feudal Imam of Yemen was the sole Arab leader to respond to the challenge of the newly created United Arab Republic. But in March, 1958, the false dawn of Arab unity was shining bright. Thus, five weeks after the union of Egypt and Syria, a charter established the Union of Arab States, under which the UAR and Yemen formally unified their foreign policies and their armies. The Imam, seeking backing for his claim to Aden, was given support that was more dutiful than dynamic. Yemen received technical, financial and military aid from Cairo, but the Egyptians, even in 1958, were wryly repeating the fable that when God revisited the earth, Yemen, unchanged since the creation, was the one place He was able joyfully to recognise.

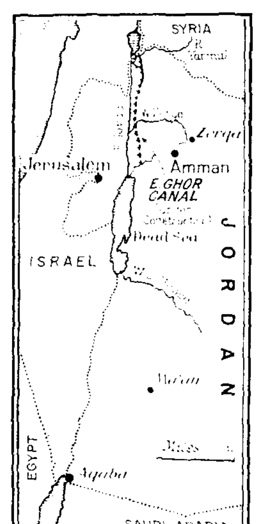
Now, with Syria gone and the Egyptian revolution turned resolutely towards socialism, the connection with Yemen has become a dispensable embarrassment. In a speech last Saturday, President Nasser labelled both the Imam and King Saud as reactionaries, and denounced conditions in their countries as an offence against God and man. This attack prepared the way for the announcement on Tuesday that the UAR had decided to dissolve the Union of Arab States on the ground that the Yemenis had not benefited from the experiment.

JORDAN

Angry Young Men

SYMPTOMATIC of President Nasser's present isolation is the lack of emotion aroused in the Arab world by King Hussein's recent attack on him—a bitter tirade from Amman, broadcast on December 15th from a recording of the king's own voice. Discounting the Beirut press, with its morbid appetite for controversies, few cries have been heard either in praise or condemnation of King Hussein's performance as challenger to Cairo's social revolution. This silence has its significance. It does not mean consent, but it does mean doubt. Few of the Arab counter-revolutionaries outside Jordan see King Hussein as a leader; but he has his value to their cause as an advocate of free economy. And a reasoned case for free enterprise can be argued from Jordan now.

This formerly impoverished country is today looking much more prosperous—thanks to a blending of government planning with private enterprise. By the building of the East Ghor canal (now 27 kilometres long) the diverted waters of the Yarmuk are opening new areas of agriculture. Afforestation thrives. Light industries, transport companies and ordinary householders are getting cheaper fuel through Zerqa's new oil refinery. Goods move at lower cost through Aqaba port by way of the fine new Amman-Aqaba highway, as also—a great relief—through the raising of Syria's economic blockade. The tourist traffic, now at its Christmas peak, is this year larger than ever. While hundreds of little capitalists are getting a reward from what once seemed reckless investment on building and "tourism" on the west bank of the Jordan, the country's bigger concerns—cement manufacture, phosphates and oil refining—are a sample of what can be done by government participation in companies rather than outright nationalisation. There is grist for propaganda here.



But prosperity is not synonymous with stability (as Iraq learned in 1958). Jordan still spends most of its foreign grants on its army, and so long as it has to do so it cannot offer itself as an example of real strength through economic joy.

BANK GUARDS

Private Gunmen

TWO points are raised by the recent incident when an armed guard on a bank bullion van fired on his attackers and so prevented a major robbery. Comment was withheld here last week because a number of questions were down for Parliamentary answer; unfortunately, they were not reached during oral question time. The first question concerns the guard's legal position. The guard—with whom much sympathy will be felt—was said to have opened fire "under instructions." But this of itself, of course, would be no defence to a charge of using violence. It would merely involve the directors of the bank as aiders and abettors.

As long ago as 1879 the Criminal Code Commissioners, in a report, stated that the common law right to use force to prevent crimes was "subject to the restriction that the force used is necessary; that is, that the mischief sought to be prevented could not be prevented by less violent means; and that the mischief done by, or which might reasonably be anticipated from, the force used, is not disproportionate to the injury or mischief which it is intended to prevent." Does this give an individual the right to take another's life with a firearm if, say, his assailant is merely carrying a cosh? Blackstone would have thought that it did; he laid it down that life might be taken in the course of arresting a felon or preventing a crime of a "forcible or atrocious" character (which the Stepney raid clearly was). Certainly the old cases support the use of a high degree of force in self defence. But these were decided when most felonious attacks were capital offences. Criminals were therefore inclined to be more violent, and so were their victims. Today the burden of proof on a man pleading justifiable or excusable homicide would be heavier. He would have to show that taking life was the only way of repelling the attack. An armed bank guard's lot, like an unarmed policeman's, is not an enviable one.

Raid that failed: bullion van hemmed in

The second question, therefore, is whether a firearms licence should be granted to privately employed guards when the police themselves are not armed. Such licences for "protective" purposes are granted only after stringent scrutiny. Apparently only 33 guards, belonging to 4 firms, have got them in London. These figures—and the fact that shooting incidents are so rare—suggest that nobody need suppose that there are large armies of potentially trigger-happy privately employed gunmen roaming the streets. But even in extreme cases, like these guards behind the bullion van's battered doors, has enough attention been paid to the possibility of using "near-guns," weapons that might be more efficient in incapacitating and less likely to kill than guns themselves? It is a commonsense, not a namby-pamby, suggestion that the technological possibilities of such weapons should be more extensively explored. There is a real danger that the publicity given to the recent incident could encourage more criminals themselves to be armed with guns that shoot to kill.

ROAD DEATHS

Post Mortem

PRELIMINARY figures for this year's round in the annual Christmas killing match between motor cars and people are not heartening. True, they do not exceed last year's figures, and are a long way short of the tragic peak of 1959. But, as some of the injured will still die, the full score of killings will not be known for about a month. The table compares 1959's final figures with 1960's preliminary and final figures and this year's preliminary figures.

	1959 (final)	1960 (prel.)	1960 (final)	1961 (prel.)
Wed.	43			
Thur.	71			
Fri.	38*	(40)	61	(40)
Sat.	37	(27)	27	(29)
Sun.	26	(20)*	23*	(22)
Mon.		(22)	23	(22)*
Tues.		(18)	19	(14)
	215	127	153	127

* Indicates Christmas Day.

It is clear that people's killing habits are dictated as much by the day of the week as by anything else. In all three years the peaks fall on the last day at work before the holidays. Ally this with the fact that around 50 per cent of road corpses have proved in the past to have come to their ends with drink inside them; and it becomes obvious that a main culprit in this annual slaughter is the office party which, enjoyable as it often is, throws people fuddled into the cold, where road and traffic conditions are at their worst. This conventional rout, in which people who would often much rather have an extra pound or two to take home belt down too much of the boss's booze, can surely no longer be afforded.

Three things should be done next Christmas. First, there should be an intensive campaign to urge employers not to kill people by giving Christmas parties. Secondly, as some intra-office conviviality will still go on, whatever employers do, there should be extra public transport on that night (including allowing private coach firms to run and advertise private bus or minibus schedules on that one day if they choose, as a supplement to the usual statutory monopoly). Thirdly—as year after year appeals to reason, sentiment and self-interest have failed to make any impression on driving drinkers—the police should make it clear that on the peak night next Christmas they will stop and subject to drunkenness tests any drivers of whom they harbour suspicions. The aim should be to convince every driver in the country that night that he will take two double whiskies before driving at peril not only of life but of liberty and livelihood as well.

WAGES

Going Slowly

EVEN new wage claims stopped for Christmas, more or less. The only major new development of the past week has been a claim by the Electrical Trades Union for an increase under the famous "escalator" agreement it reached a year ago with the electrical contracting industry. Under this agreement the union, in return for a large pay increase, agreed not to ask for more within 2½ years unless the cost of living went up by five points. Now, the union says, it has done so. This is the first new claim in private industry since the wage pause began that has been based on an element of "prior commitment" similar to that which has already been rejected for some public employees. It will be fought out by the ETU's new executive.

Meanwhile, the post office workers' union is to start the New Year with its promised go-slow, but seems itself to be going somewhat slow about it. Its action will take the now-fashionable form of slavish adherence to the interminable list of post office regulations: but the union has warned members against getting into undignified quarrels with supervisors. Similarly, the gloom of Christmas television was rendered only fractionally darker by Equity's dispute with the independent television companies. Last week's meeting between the two sides ended in a deadlock, although the companies seem to have conceded the basic principle that fees for television performances should be adjusted according to the number of companies transmitting a programme. It appears that Equity does not like the employers' way of implementing this principle because it would not automatically increase the fees of performers receiving more than the minimum. The employers did not, however, help their cause when they gave the impression at a press conference of either failing to understand, or wilfully misrepresenting, their opponents' demands. The latest battleground is for the support of the various other unions involved in television: the companies have tried to win them over, and now Equity is following suit. But as yet the actors' stand has had no effect beyond some marginal rises in the BBC's audience figures as ITV's range of live programmes is reduced.

EUROPE

Blocked in Brussels

THE six members of the common market have a habit of taking their big decisions just before some spectacular deadline, like New Year's Eve. But this year they have cut things althogether too fine. When *The Economist* went to press agreement on a common agricultural policy, on which the further progress of the whole community depends, was still out of reach. The Council of Ministers was expected to meet again on December 29th, but even with the help of the customary all night sessions, it will be hard put to it to agree in time for the community to move, according to plan, into its "second phase" on January 1st.

The disagreement covers a number of subjects. How are export subsidies and price support arrangements to be financed? The Germans want to retain bilateral trade arrangements with, say, Argentina; the Dutch and French are anxious for the common external policy, provided for in the treaty, to be put into effect. Understanding seems to have been reached on some matters—like the rough level of grain prices in the future common market. But no one item can be regarded as settled until the other parts of the package are settled as well.

All this does not mean that an agricultural agreement will not be reached soon. The French, who are adamantly blocking the way forward for the common market as a whole, until the Germans accept the substance of a common agricultural policy, suggested last week that the move into the "second phase" be postponed for a month until February 1st. Others are less pessimistic and hope for agreement in a few days. The hope in Brussels is that the imminence of the deadline will at last cause technicalities to be set aside and the necessary political decisions to be taken.

If they are not, much damage will be done. Further tariff reductions within the common market, further alignments of the common tariff round it, and a good many other internal changes will be blocked. The agricultural side of negotiations with Britain—and with the United States—cannot make much headway. And opinion in these two countries, which has after all been persuaded to take a greater interest in Europe through the common market's success, will hardly be impressed. It may be asked why the French should jeopardise so much for the sake of a bushel of wheat. The answer is that after four years of procrastination by the Germans they feel, probably rightly, that unless they make a stand now, there may be no common market in agriculture at all. That would damage not only French farmers but the whole conception of an integrated Europe.

The Economist

DECEMBER 28, 1861

EDUCATION OF YOUNG GENTLEMEN

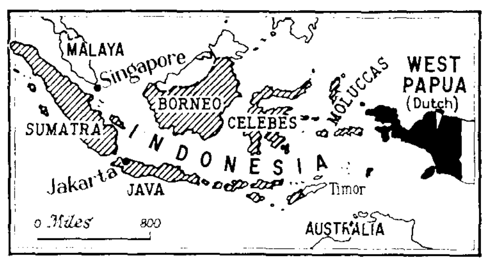
At Hambly House Academy, Streatham *Common, Surrey*, Young Gentlemen are carefully Educated for the Public Schools, Military Colleges, Professions, or Commerce, by Mr R. S. Trousdale, L.C.P., aided by highly qualified assistant masters. The domestic arrangements are on the most liberal scale; and the house is very delightfully situated. The terms for pupils under ten years of age, 30 guineas per annum; ten and under fourteen, 35 guineas per annum; fourteen, 40 guineas per annum. The above amount includes board and instruction in the Latin, Greek, French, and English Languages, Writing, Arithmetic, Merchants' Accounts, History, Geography, the Use of the Globes, Astronomy, Geometry, Algebra, and the other branches of the Mathematics. A library is devoted to the instruction and amusement of the pupils during their leisure hours. Religious works are provided for Sunday perusal; and lectures on various popular subjects are occasionally delivered. German, Drawing, Dancing, and Music, on the usual terms. Washing, half-a-guinea per quarter. Drilling during the summer months, at a trifling charge . . . . All accounts are expected to be settled quarterly. Excellent accommodation for foreigners or gentlemen of neglected education.

The Royal Continental Collegiate Institute (limited to 20 young gentlemen), on Bushey heath, three miles from *Harrow station* and two from Watford. Principal, Dr Vellère, late of the *Harrow Preparatory School. This school* is highly recommended for three reasons—*first, for very excellent board*, liberal supply, judicious treatment, great success in education, and, *above all*, as *preferable* to going abroad with regard to acquiring the French language perfectly; *secondly*, for very *moderate* and strictly inclusive terms, within the reach of nearly every one; and, thirdly, that *no case* of illness has ever occurred since the school has been established in 1857. . . . Terms from 30 guineas upwards. *Advt.*

NEW GUINEA

Time for Reflection

PRESIDENT SUKARNO's frustration over west New Guinea must be even greater than Mr Nehru's was over Goa. Mr Nehru always knew that he could take Goa whenever his frustration got the better of his love for peace; Dr Sukarno, who has actually advocated force for some years, is aware that the wanted half of a forbidding island, which even the Dutch have never fully controlled, can hardly be digested in one military meal. This awareness, if nothing else, may cause him to hesitate still further before actually issuing the "command" to liberate the Dutch half of New Guinea, which he said on December 19th he would soon issue. Should he hesitate still longer, he may even take sensible notice of the decision which the Dutch cabinet is reported to have taken after his speech, to offer negotiations without strings on the future of Holland's last remaining colony. (The Dutch attitude is further discussed by an Amsterdam correspondent on page 1297.)



In this context, "negotiation without strings" has a precise meaning. It can only mean that the Dutch would not insist on making their self-determination plan for West Papua (as they recently renamed Dutch New Guinea) the basis of any talks with Indonesia; correspondingly, the Indonesians would have to withdraw their insistence on limiting any negotiations to a discussion of the transfer of authority from Holland to Indonesia.

The launching of military operations against West Papua by a country with an empty treasury, a powerful communist party and half-quelled rebellions on its own soil, would surely bring incalculable consequences in its train. It is greatly to be hoped that President Sukarno's immoderate speech did not mark the point of no return. If the Dutch are indeed ready to re-examine their advocacy of self-determination for the Papuans, the Indonesians ought to be prepared to put their claim to West Papua in abeyance as a step towards negotiations.

President Sukarno spoke last week in a mood of disillusionment with the United Nations, under whose auspices the Dutch self-determination plan would be carried out—if it were ever implemented. The danger, now that the UN has failed to act over Goa, is that Dr Sukarno will infer that he can act as Mr Nehru acted, secure in the support of the communists and Afro-Asians. If so, he should reflect again on the disparity between Goa and West Papua and the consequences for the United Nations itself.

LONDON BOROUGHS

52 to 34

The Government is plainly in earnest in its wish to create much larger boroughs as part of its coming reorganisation of London local government. Where the Herbert Commission wanted merely to halve the number of boroughs in Greater London, from nearly 100 to 52, through the medium of such shot-gun weddings as Hampstead and St. Pancras, the Government has now proposed a further reduction to only 34 boroughs. Curiously, it would achieve this mainly through much more drastic amalgamations in the outer suburbs. For example, a new unit of 291,000 people would run from Chiswick to Staines and another of 329,000 from Hornsey to Enfield. Even Croydon would be very substantially enlarged. The only unchanged units in the whole area would be Lewisham, Harrow, and (surely too anachronistically in this context of much enlarged powers) the City of London.

The boroughs have now been asked for their opinions, and many are sure to protest strongly. Some people who have been living under Tory councils may find themselves more liable to be decanted under Labour councils, and *vice versa*. The Government, however, has emphasised that if the boroughs want greater powers they must swallow the pill of amalgamation. This is quite right in principle; but why has the Government departed from the Herbert Commission's view that large units are more acceptable in inner London, where population is dense, than in outer parts? Some of the new suburban boroughs would be so extensive in area that they can hardly hope to have the kind of cohesion which ordinary boroughs are expected to possess. It looks as if the Government is feeling for a much broader type of local government unit, but has pulled up short of actually reaching it.

The real danger is that the Government may suppose that its proposed new boroughs can handle almost all local services. The Greater London Council, which it also intends to create, would then become a sort of ghostly middleman between omnipurpose boroughs and omnicompetent Government departments. This should not be. If the Government's new framework for London is to be worth having, the first essential is that the Greater London Council should be an effective body, with more powers and more freedom from Government control than are at present proposed.

CENTRAL AFRICA

Front Line at Kipushi—

No sooner had Mr Tshombe signed his agreement to re-integrate Katanga with the Congo than he began to go back on it. Having signed at Kitona, near Leopoldville, on December 21st he flew on that day to Ndola, in Northern Rhodesia, from where he went by car the indirect way to Elisabethville. The route took him to Kipushi, on the Rhodesia-Katanga border, where Katanga's *ultras* and the die-hards in its government have gathered—prepared, by all accounts, for another stand for Katangan secession. The following day the Katanga government announced that Mr Tshombe had no mandate to conclude the Kitona agreement, in terms that raised again the old question, is Mr Tshombe really in control of Katangan affairs?

Many answers can be given; there are many conflicting interests at work in Katanga. The acting secretary-general of the United Nations, U Thant, has pointed the accusing finger at the Union Minière company, and says that aerial bombs and heavy armoured cars have been made in company workshops, that mercenaries have been recruited through company representatives outside Katanga, that expelled mercenaries have returned on the company payroll, and that Mr Tshombe's entire military force was financed by Union Minière and other foreign firms in Katanga. These allegations have been denied by Mr Spaak, the Belgian foreign minister. More dangerous is the conflict between black nationalist Africa and white-governed Africa (including South Africa, the Rhodesian federation, Angola, and Mozambique). The flashpoint, once Elisabethville, has become Kipushi. Viewing affairs from Salisbury, Sir Roy Welensky may well, as his cabinet statement on Wednesday implied, fear the advance of black nationalism through Katanga to the very borders of the federation. If, as is not unlikely, he fears a further advance through a black-governed northern Rhodesia in the near future, then his apparent determination to hold the bridge at Kipushi can more easily be understood.

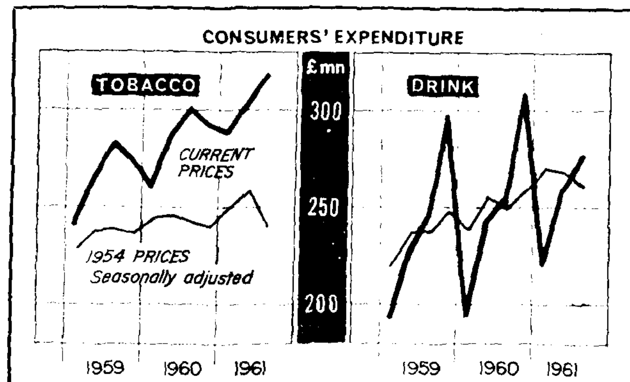
In this situation, the British Government is walking on eggs. It seems as unsafe as ever to say anything about the constitution of Northern Rhodesia, even though the protracted negotiations about the constitution have lasted more than a year; to say anything could make trouble either with the Africans or with the Europeans. At the same time; the British Government is responsible for the foreign policy of the federation—a federation whose own government is in physical control of the Katanga-Northern Rhodesia border. When the United Nations alleges that arms and men for Mr Tshombe are crossing this border, it is the British Government that gets blamed. Yet the actions, at a time when his white followers see Kipushi as a possible flood-gate for "communists and cannibals," will be Sir Roy's.

—and at Elisabethville

To the United Nations in Elisabethville, the picture must look slightly less dark. In spite of its words of repudiation, the Katanga government allowed its deputies to go to Leopoldville on Wednesday to talk about the constitution. A thousand soldiers from the central government army are to come under UN command; this seems to herald the long-needed retraining of some of these wild and mutinous troops. For its own sake, the UN should ensure that any Congolese soldiers entering southern Katanga from Leopoldville can be relied upon to behave themselves. Another hopeful sign is the resumption on Wednesday of diplomatic relations between Belgium and the central Congolese government. The rump of the Katanga army, at Kipushi and elsewhere, has so far not moved.

On Wednesday, however, the Rhodesian government let forth a fusillade of words upon the UN at Elisabethville, calling for an impartial inquiry into allegations that the UN has been guilty of war atrocities. At the end of a year of extremely ingenious anti-UN propaganda, this is the unkindest cut of all. The war of words will, in all probability, continue; the Rhodesians, as a counter to being accused of arming Mr Tshombe, said that the UN had asked for offensive weapons to use against him.

U Thant replied vigorously to some of the "atrocities" charges in his letter to Mr Spaak, dated December 15th and since published. He said that one hospital the UN was accused of attacking was new, had never been used as a hospital ("there are no doctors, nurses, or patients"), and had been used as a "mercenary stronghold." A second hospital, the Prince Leopold, was 200 metres from the main Katanga camp; it was damaged by Swedish mortar fire and two persons were wounded. Many vehicles bearing the Red Cross insignia had been used as a cover for Katangan fire, U Thant said, and this was often protested against by Mr Olivet, the International Red Cross representative in Elisabethville, whose body was found on the outskirts of the city last week.



SMOKING AND DRINKING

The Chancellor's July surcharge made smoking 9 per cent dearer and drinking 4 per cent dearer. As a result, after allowing for seasonal factors, tobacco consumption declined by 7 per cent between the second and third quarters of the year and drinking by 3 per cent.

FRANCE

Ominous New Year

General de Gaulle's broadcast this Friday (December 29th) was not expected to be very specific about France's prospects for 1962, for the prospects are not very bright. France is still at odds with its various associates over such matters as Berlin and the common market's agricultural policy. President Nasser still has four French diplomats in prison on charges of spying and subversion. At home, the government is the object of bitter attacks from left and right, and there are suggestions that disaffection is spreading among the armed forces in Germany and in France itself. Above all, there is still no peace in Algeria.

Some fugitive gleams brighten the outlook. On December 27th French and Tunisian representatives met in Rome to discuss, informally, the Bizerta problem: if all goes well they are to meet next week to continue preparations for full dress negotiations later on. Tunisian statements about the talks are, as usual, optimistic. There has been great activity among the ministers and envoys of the provisional Algerian government: Mr Ben Khedda, the prime minister, has been to Egypt, Libya and Morocco; Mr Ben Yahia (a veteran of the talks at Melun, Evian and Lugrin) has been permitted to visit Mr Ben Bella in prison. Mr Yazid, the minister of information, flew to New York to urge moderation (successfully) on his supporters in the United Nations Assembly debate on Algeria, which concluded on December 20th. All this to-ing and fro-ing has led to speculation that the Franco-Algerian negotiations will soon be resumed, and with a chance of success. In fact it seems that the differences between the positions of the French and the nationalists have almost been narrowed down to the timing and method of the cease-fire and transfer of authority.

This difference, however, is crucial. The Algerian rebels will not lay down their arms until they are sure that the French government can and will honour its undertakings. The will is scarcely in doubt any longer, but the power to prevent the Organisation de l'Armée Secrète, the right-wing terrorist underground, from seizing Algiers and Oran has yet to be demonstrated. The OAS continues to wound and murder at will (it and the Algerian terrorists together killed some thirty persons during the Christmas holiday in Algeria) and the government seems still to find it easier to speak against the Right and act against the Left—as it did during the demonstrations in Paris on December 19th—than to restore order.

UNITED NATIONS

Windows Rattling

On January 15th the United Nations Assembly will resume its sixteenth session. The normal three months' session has once more proved too short to allow the delegations (now 104, against 99 in September) to work through an agenda of nearly a hundred items. However, night sittings and other forms of pressure were applied at an early stage this year, and only a few items, Angola and Ruanda-Urundi among them, were held over when the assembly went into recess for Christmas in the early hours of December 21st.

In those last crowded hours, several resolutions were carried and swept virtually into limbo as public attention turned to the approaching holiday. The Assembly voted, 60 to 11, for a continued UN concern with the reunification of Korea; 56 to 11, for restoration of basic human rights in Tibet; 49 to 17, deploring Soviet disregard of earlier resolutions on Hungary. Although about 30 members abstained in each vote, significantly few were willing to join the Soviet block in opposition. France alone joined the block in opposing a request to the International Court for an opinion on the question whether allocations of dues for the Congo operation are binding on member governments. The assembly overrode Soviet, French and Belgian objections by allotting \$10 million a month to cover a further eight months' expenditure in the Congo; and it approved the acting secretary-general's plan to sell up to \$200 million worth of 25-year bonds, paying 2 per cent interest, to enable the UN to avoid bankruptcy in the face of widespread defaulting on dues for its present costly peace-keeping ventures.

Although the Congo appeared on the assembly agenda only as a financial item, it pervaded a session that opened with the shock of Mr Hammarskjöld's death at Ndola and ended with two weeks of fighting in Katanga. Even now, with the world's windows rattling after the Goa squall, the Congo evidently remains the most fateful signpost to the UN's future. Gloom over Goa ought not to foster a belief that the Afro-Asian members' occupation of nearly half the assembly's seats has led them to cast all political sense aside. The moderation of this year's resolution on Algeria was matched by the failure of an immoderate one on Oman, which mustered only 33 votes. Even more striking was the adoption by 97 votes to none (Britain, France, South Africa and Spain abstaining) of a restrained formulation on colonialism in general; the Afro-Asians turned their backs so coldly on a Soviet demand for the ending of all colonial rule in 1962 that it was not even pressed to a vote.

LETTERS

Peace on Earth

Sir—Beneath the almost universal longing for "peace on earth" which finds such widespread expression at this time of the year, the sharp contrasts between the unconsciousness of a largely a-political population and the awareness of a politically active intelligentsia, between idealists and realists, between the notion of "peace from strength" and "peace from good will," are nowadays fast disappearing. The essence of all the messages of good will and hope which mark the beginning of a new year is a longing for peace, on both the material and the spiritual plane.

More is needed, however, than mere expressions of hope and good will. There must be the will to peace evidenced, expressed and followed by the leaders of mankind. Men themselves, being what they are and relying on the "powers that be," have been deeply disappointed by the failure of last year's summit meeting, which in any case represented only half the human family. Is it possible, I wonder, that the addition of the heads of governments from those parts of the world not represented at last year's summit, and whose potential contribution in this field is underlined by the recent award of a Nobel peace prize to Chief Luthuli, might offer hope of real progress in mankind's pursuit of "peace on earth"?

But a new initiative also is needed; an initiative that would transcend the purely political. In this connection an idea suggests itself. Is it possible that His Holiness Pope John XXIII, who is also the head of a sovereign state and whose concern for peace has already aroused such universal respect, might convene such a meeting? One is encouraged in the hope that such an initiative might meet with a ready response by the recent report that a message of good will sent to His Holiness on the occasion of his birthday by Mr Khrushchev.—Yours faithfully,

Leon Zeitlin

London, NW6

Doctors and Advertising

Sir—While relieved to read in your issue of December 2nd of the acquittal of the seven plastic surgeons, I am far from convinced that doctors' advertising and similar ethical offences are dealt with on sound, consistent principles based on natural justice.

Adjudicating bodies clearly have a duty to recognise that *intention* is of paramount importance in such cases. The Judicial

Committee of the Privy Council clearly recognised this principle in the judgment of Felix v. General Dental Council (May 11th, 1960), with the dictum that "an honestly held opinion even if wrong clearly cannot in their Lordships' view amount to infamous conduct," and they also held that infamous conduct must have an element of moral turpitude. In defending some of the seven surgeons Mr Norman Brodrick clearly relied on the first dictum, and Mr Stanley Price put the point relating to moral turpitude. These submissions would appear to have influenced the GMC in arriving at an acquittal.

Eighteen months previously, however, Mr Leslie Gardiner was ordered to be struck off, two weeks after the Felix judgment, without regard to these principles. Accused of advertising by writing a book on cosmetic surgery and acquiescing in its serialisation in a magazine, he pleaded three ethical reasons for writing his book. He produced documentary evidence from other medical authors writing for the lay public, his exhibits including many British Medical Association publications and two books serialised in the same magazine as his own in 1957 and 1958.

An innocent article appeared in the *Daily Mail* of June 10th, 1960, over a fortnight after Mr Gardiner had been found guilty of infamous conduct, giving a write-up of the plastic surgeons at East Grinstead Hospital in terms which were potentially dangerous to them. As none of these admirable men would desire to commit professional suicide after Mr Gardiner's misfortune, this showed in the most striking way the genuine uncertainty and doubt in the profession as to what constituted advertising. The General Medical Council had made no attempt to provide the profession with an informative definition of advertising, or to link it with literary work. The real position is that a doctor is advertising if the GMC chooses to interpret what he has done as advertising.

I think that the GMC has a public duty to clarify its position on these important matters, for otherwise justice has not been seen to be done, and there must be serious doubt as to whether injustice has not been done.—Yours faithfully,

Beaconsfield, Bucks H. W. PALMER

Televarsities

SIR—In your article on December 16th you welcome the projected Institute for Educational Television with the hope that it will become "a really liberal and visionary body." There can be no quarrel with the desire to realise the full potentialities for further education of this powerful medium; but it is worth mentioning that there are already bodies in existence, the British Film Institute, the Educational Foundation for Visual Aids and the National Foundation for Educational Research, capable in their various ways of guiding television development in the sphere of education.

The announcement of the Institute for Educational TV has already caused controversy, and its proposed activities have been criticised in a letter to *The Times* as "misguided and extremely wasteful." The new institute also appears to be closely associated with, if not initiated by, certain commercial television interests, and in so far as this shows on their part a disinterested desire to create a truly independent body which will foster the best (and discourage the worst) in television, it is an encouraging sign. But this is already one of the objects of the British Film Institute, and there is a danger that the new institute will in function (as well as in name) lead to some duplication and cause division of resources and dispersal of effort. It is in the common interest that work in this field should be rationally co-ordinated and genuinely disinterested, and the available resources applied with the greatest efficiency. Granada TV and the BBC, by putting up the money for the BFI's new television magazine, have shown their readiness to use existing organisations as a basis for expansion; but so far their lead has not been followed by the rest of the television industry. It is to be hoped that, whether other companies support the new institute or not, they will not ignore bodies already in the field which would benefit inestimably from their support and enlightened sponsorship.—Yours faithfully,

R. STEVENSON

London, W1 British Film Institute

China's Population

SIR—The article on China in your issue of December 9th states, about China's present economic difficulties, that "Natural calamities have played their part, and so has the soaring birth-rate. . . ."

Is it really suggested that in spite of all the measures taken by the Chinese authorities to *reduce* the birth-rate (summarised in Alfred Sauvy's "Fertility and Survival," English translation 1961, pages 189-194) the birth-rate is actually "soaring"? Surely it is the rapid increase in the population rather than a rise in the birth-rate that is playing so serious a part in China's difficulties. In 1957 the Chinese demographer Mr Ta Chen is stated to have proposed as an aim for the country a reduction in the birth-rate of 50 per cent over a period of ten years. While this has not been adopted as a definite target by the Chinese authorities, it appears that they are pursuing an extensive campaign of birth control relying mainly on widespread propaganda and distribution of contraceptives. They have also raised the marriageable age both for men and women.

Sauvy concludes that the 50 per cent reduction may not be reached in ten years, but even if it were it "would still leave the birth-rate at a level just above 20 per 1,000, whereas the death rate would no doubt go down fairly rapidly to 8 or 10 per 1,000. The residual increase [of population] of more than 1 per cent per annum (instead of the present 2.5 per cent) would still be considerably higher than that of western population." This surely would be serious enough in relation to China's present economic difficulties. A much faster rise in population *could* take place even if the birth-rate were falling.—Yours faithfully,

London, NW11 RALPH ENFIELD

[Sir Ralph Enfield's distinction between birth-rate and population is, of course, valid. On the other hand, the Chinese government has not consistently followed a policy of limiting births. The birth-control campaign has been punctuated by frequent assertions that a large and growing population is an asset in a socialist society. In March, 1960, Professor Ma Yin-ch'u was removed from his post of President of Peking University for persistent attacks on the party's alleged abandonment of the policy of population control.]

The Ruling Classes

SIR—I feel that one possible reason for the failure of Redbrick candidates before the Civil Service Selection Board has been overlooked by you. You stress that the "greatest slaughter" is in the anonymously marked written examinations; and that in these the most successful are Oxbridge history and classics men "perhaps inevitably." Why inevitably? Could it not be that this is the training the examiners have themselves had, and therefore this is the training for which, knowingly or not, they are looking.—Yours faithfully,

Manchester JULIAN HOOD PHILLIPS

Lessons from Eastbourne

SIR—Your article refers to my "formidable attack" on the congestion in the port of London, and I became aware that it might have offended members of the Export Convention. There is a saying: The friend who tells you your faults and shortcomings, that is your friend! I sincerely hope that my comments are judged in this spirit.

Transport means cost and delivery. British exporters and transport should be aware that many a time a short delivery is not only of first importance but it makes good profits possible. Furthermore in all exports it is a must to tell how long delivery ex works will take. We who receive British goods every day pray that the expected report of the Rochdale Committee on the docks will be acted upon by Britain as a whole.—Yours faithfully,

Hamburg WILHELM RUMP

BOOKS FOR TOKENS

Hindu and Muslim

Divide and Quit

By Penderel Moon.

Chatto & Windus. 302 pages. 30s.

MR MOON'S book begins with an account of the events leading up to the partition of India and birth of Pakistan as seen from the Punjab; he goes on to a personal account of what happened in the border state of Bahawalpur during the period immediately after August 15, 1947.

The politics of partition are described with brilliant intelligence and an acid detachment tempered by a strong sense of the practical. No one comes out of it very well. The British were slow and complacent until 1942; almost everyone except Lord Linlithgow could have brought the 1935 Act into force before the war; a bold imagination could have prevented the Congress resignations in 1939. The Mahatma was unrealistic and hypocritical; the Qaid-i-Azam cold, uncompromising, proud. Their mistakes are ruthlessly exposed; this, of course, is hindsight but constructive and clarifying hindsight and there are few points at which any informed person will question Mr Moon's judgment. He appears at one stage to put the fatal breach in Hindu-Muslim relations as late as 1937, when the Congress refused to share office with the Muslim League in the UP; but in his last chapter he recognises that the critical worsening of relations—some would say the inevitability of partition—came when Gandhi decided on a mass appeal to the peasantry that was bound to have a religious flavour. Mr Moon does not seem to have met the strange delusion, widespread among the less sophisticated Muslims, that, once the British had gone, the two arms of Pakistan could be brought together to crush the Hindus between them, and he says little of the indifference with which the leaders of both great communities sometimes discussed the losses in human life that they might have to face to get their ends. But it is an account that can hardly be bettered.

Events in Bahawalpur were less sensational than in the Punjab proper, but they were bad enough. Here the story has a telling quality of precise prosaic detail within which the horror is embedded; Mr Moon goes quietly about the business of stopping the killing, feeding refugees, sending train-loads of Hindus to India; we are counting rifles or bags of grain when we suddenly trip over a corpse. One passage compresses much:

> To kill a Sikh had become almost a duty; to kill a Hindu was hardly a crime. To rob them was an innocent pleasure, carrying no moral stigma; to refrain was a mark not of virtue but of lack of enterprise. On the other hand to try to stop these things was at best folly, at worst a crime. Mild remonstrance, though disliked and despised, could be tolerated, like the babblings in England against betting or blood sports; but effective action was liable to be viewed as a capital offence.

The story will be read with fascination by all who had any knowledge of these events and personalities; of those who had not, some may regard the book as a trifle specialised, but others will be fascinated by the skill with which events are related to each other and the elements of personal decision and pure chance woven into the narrative—perhaps also by the personality of the narrator, cold in his intellectual appraisal but genial in his personal relations with all but the pompous and hypocritical. He is in the main stream of one great tradition of English men (perhaps even more English women) abroad, moving fearless and unarmed among horrors like a prefect among fags; finding, for instance, a pair of soldiers rifling a still warm corpse, probably their victim, he kicks one of them "hard up the bottom," and one expects to hear that he has given the other one fifty lines.

In the latter part there is only one point at which to cavil; Mr Moon speaks as though in the Punjab proper the troops of the Indian Army generally proved unreliable about controlling their own community, as the state troops in Bahawalpur usually did. His knowledge is at firsthand about the state forces, at secondhand of the Indian Army, of which most reports are that it stood the test with remarkable fidelity. And surely the overwhelming difficulty with which the boundary force was faced was that there were none of the focal points—the mosque, the temple, the main street dividing the town—familiar to commanders dealing with internal security problems. Troops were needed in every village. But this is the only point in a crowded book on which one can seriously differ. Mr Moon writes always with clarity, sometimes with a seasoning of Churchillian magniloquence that gives his neologisms the more punch.

The Medicine Men

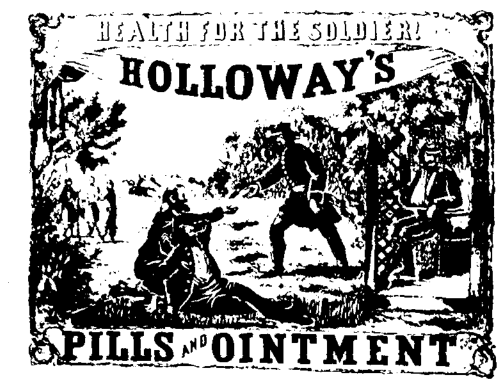
The Toadstool Millionaires

By James Harvey Young.

Princeton University Press. London: *Oxford University Press.* 282 pages. 48s.

A HUNDRED years ago an advertisement appearing regularly in the back pages of *The Economist* would exhort readers to buy "Holloway's Pills," "the only reliable medicine upon which implicit faith may be reposed," with curative powers "for all internal complaints to which mankind are subject." The proprietors were, of course, careful to change their copy according to the alarms of the day, and in the American civil war, so Mr Young tells us, they issued a poster showing an officer hurrying with a box to a sergeant ministering to a private, suffering, presumably, from "the brackish, muddy water and damp night air" of the South.

Mr Young traces the history of patent medicines in the United States from the eighteenth century, when they were imported from England, through the emergence of home-made products after independence, to their heyday in the late nineteenth century and ends with the first federal legis-



lation designed to regulate them. The patent medicine maker, he points out, blazed a trail: he was

> the first American manufacturer to seek out a national market . . . He was the first promoter to test out a multitude of psychological lures. . . . While other advertising in the press was drab, his was vivid; while other appeals were straightforward, his were devilishly clever. The patent medicine promoter was a pioneer, marching at the head of a long procession of other men with ships and shoes and sealing wax to sell.

In the days when orthodox medicine relied on heroic remedies like bloodletting, the patent medicine man could claim that his nostrum was simple and painless, and he did not have to disclose how much opium or alcohol it contained—if indeed it contained anything potent at all. Later, when Pasteur or Koch had demonstrated the role of bacteria in certain diseases, the medicine men turned the discoveries to their own account. In the meantime, the opposition to the trade was mounting; journalists, doctors and politicians were all in their different ways trying to get a law passed to restrict the trade's excesses. But the turning point, according to Mr Young, came with the publication of a book by Upton Sinclair describing how America's meat was processed, "how employees now and then slipped into steamy vats and next went forth into the world as Durham's Pure Leaf Lard."

Mr Young ends his story with the subsequent passing of the Wiley law (the Pure Food and Drugs Act of 1906, called after the Government chemist who had spent so much time and energy exposing abuses). But he has an epilogue showing how far this and subsequent legislation are from keeping quackery down. Drugs now have to be safe; nor can their labels bear misleading therapeutic claims. But the enforcement of the law takes a long time, and the new medicine men are still skilled at making money out of each publicised advance in medical science and each new fashion in treatment, for instance, through peddling vitamin capsules or weight reducing drugs. Quackery persists, Mr Young points out, not simply because the law is inadequate and slow to act, but because of the nature of man. He cannot accept the inevitability of death or that a cure must be protracted and painful—and the more striking the advance of medical science in one direction, the less willing is he to accept its limitations in another. Mr Young's conclusion is, of course, in many respects as valid for Britain as for America. The advertisements appearing in *The Economist* in the 1860s, calling attention to, for instance, the relief given by Dr Locock's pulmonic wafers, have their counterpart behind the vast amount of self-medication that goes on even in the health service era of the 1960s.

Project Mohole

A Hole in the Bottom of the Sea

By Willard Bascom.
Weidenfeld and Nicolson. 352 pages. 25s.

American scientists often take considerable pains when they are spending public money to explain to the public what they are attempting to do and why—hence this book. Willard Bascom is the director of Project Mohole, a scheme to drill through five or six miles of the earth's crust to discover the composition of the so-called rock "mantle" thought to lie beneath it. He has written what amounts to a long and leisurely preface to the actual work of drilling which got under way this year, setting out how much geologists have learnt and surmised about the composition of the earth to date, what they hope to learn from the sample cores Mohole is expected to retrieve for them, and the sheer physical difficulty of gouging these out of the ocean bed.

This kind of writing has nothing whatsoever in common with the "Boy's Own" school of popular science; it is, moreover, a useful antidote to those bored comatose by space and its cosmonauts. Readers should not allow themselves to be put off by the horrible jocularity of the first two pages; Mr Bascom does not do it again.

For the Would-be Numerate

The Inspiration of Science

By George Thomson.
Oxford University Press. 160 pages. 18s.

Foresight and Understanding

By Stephen Toulmin.
Hutchinson. 115 pages. 18s.

The Boundaries of Science

By Magnus Pyke.
Harrap. 224 pages. 15s.

Understanding Chemistry

By Lawrence P. Lessing.
Harrap. 182 pages. 15s.

Physics for the Inquiring Mind

By Eric M. Rogers.
Princeton University Press, London; Oxford University Press. 789 pages. 48s.

These five books reflect in varying degrees the growing rapport between scientists and the vast innumerate majority of the population. Sir George Thomson, for example, breaks new ground when he sets out to explain not merely the workings of science, but also the workings of the scientist's mind—how the exception that will not fit accepted rules acts on it like grit in an oyster (theories, says Sir George, exist to be disproved); how big a part luck plays, ("a physicist must not merely have an insight of a semi-intuitive kind, but he must be able to assess experimental evidence which must not always be taken at its face value"); and how in a few rare cases patient slogging along apparently well-worn paths will still unearth something new as Lord Rayleigh, possibly the last of the great scientific amateurs, discovered neon gas when he was attempting nothing more ambitious than the weighing of nitrogen.

The idea is a good one. Scientists become sympathetic when they are shown bumbling round, and sometimes tripping headlong over the germ of an idea that is to become a corner-stone of human knowledge. The overwhelming impression of intellectual honesty provides an antithesis (surely not an unpremeditated one) to the currently popular portrait of a quarrelling, politicking, petty-minded boffin that started as a caricature drawn by Sir Charles Snow but has acquired a horrid life of its own independent of its creator. If the idea does not quite succeed, this could be because Sir George has chosen to point his case with some quite extraordinarily difficult examples chosen from achievements in nineteenth and twentieth century physics. He has made a magnificent attempt at converting wave mechanics ("if nature really knows her own mind, there are certain things she has no intention of letting us know in advance") and Einstein's general theory into something intelligible to the general reader, but not even so distinguished a scientist as Sir George can make them bed-time reading, and books on science for the general reader stand or fall on whether they can be followed without undue strain. But it is a noble failure worth a dozen more facile successes. Whether the same can be said for Mr Toulmin's lectures on "Foresight and Understanding," part of the Nuffield Foundation's History of Ideas, is strictly a matter of taste. Mr Toulmin analyses the objects of science in terms of logic, and one might argue that science is hard enough to follow without this extra complication. Others, however, may find that it clears the air.

"The Boundaries of Science" sets its sights lower and scores a bulls-eye. Dr Pyke sees research as a panorama in which each specialised scientific discipline fits into the composite picture like stitches in a tapestry, none of them making sense without the other. Biologists must know physics, physicists must know chemistry, chemists must know biology and they are all straining on tip-toe towards discoveries that dangle just out of reach. Dr Pyke's special gift, after a slowish start, is to make the facts of science more exciting, more mind-boggling and more tantalising than the wildest science fiction. His chapters end as cliff-hangers whose next instalment may not appear for a decade. Mr Lessing's special contribution is to make science elegant. In "Understanding Chemistry," he achieves this effect with the minimum of effort; with concise and beautiful writing he can make even a great wibbly-wobbly "big molecule" a pleasure to read about and those who do will end with a good grasp of modern chemistry. Mr Lessing is less superficial than Dr Pyke, but the word is not used in any pejorative sense for Dr Pyke's canvas is larger and his brush strokes bigger and bolder.

"Physics for the Inquiring Mind," on the other hand, could be described irreverently as an exercise in one-upmanship. This extraordinary book first appeared in 1939 and was reprinted in the United States last year with the help of grants from the Rockefeller, Alfred P. Sloan and Whitney Darrow foundations and funds. It is now distributed in this country by the Oxford University Press. The inquiring mind of the title is assumed to know little about mathematics and care less; out therefore go all sums and formulae. It is also assumed to be interested only in the visible manifestations of physics; out therefore go all theories. Having thus disposed of the two main barriers to communication between scientist and non-scientist, Mr Rogers goes about explaining physics in simple terms with disarmingly funny illustrations; test questions at the end of each chapter provide a running check on how much has been absorbed. It is a book that can either be taken as a serious one-year physics course—it forms the basis for such courses provided for arts graduates at Princeton University; as a quick crib for businessmen suspicious that their advisers may blind them with science; as a gob-stopper for offspring with awkward questions; or as a doorstop of formidable weight. In any role it is splendid value.

Other People's Justice

The Faces of Justice

By Sybille Bedford.
Collins. 255 pages. 21s.

Mrs Bedford is first of all a novelist, but she is also a highly skilled reporter who has achieved international fame for her brilliant coverage of the Dr Adams and Lady Chatterley trials. In her latest book she combines the insight of the novelist with the technique of the journalist to give a fascinating picture of how justice is administered in England, France, Germany, Austria and Switzerland, a choice of countries which seems to have been dictated by her competence in the relevant languages. On closing her book one's dominant thought is of the truth of Pascal's dictum that a few degrees of latitude overturn all jurisprudence.

The differences in the administration of justice, especially of the criminal law, are etched out sharply in Mrs Bedford's book. There is first the unbridgeable gulf between the English accusatorial and the continental inquisitorial procedures. In England the judge is grand, detached, and aloof from the struggle, which is carried on far beneath him by the advocates. The English trial never gets very far from the boxing ring, with the judge as referee to see fair play. The continental trial is quite different. Its purpose is not to balance probabilities by assessing strictly limited evidence but to get at the truth. The judge far from being silent (or nearly so) is at the heart of the matter, questioning, probing, trying to get the right answer. The advocates have very minor functions. Often the jury will sit on the bench with the judge and retire with him and apparently do not feel ill at ease or dominated.

The English vice is to consider their institutions the best and to despise other people's. Mrs Bedford's book gives some painful prods to this comfortable assumption. She shows clearly that although continental trials take much longer, they are much more thorough, and although delays are scandalous between committal and trial, the chances of an innocent man being convicted (or of a guilty one getting away) are much smaller than in England. Judges take cases at fixed hours, which means fewer cases but is a blessing to advocates and their clients. We pride ourselves on the impartiality of our judges, but what does the person chiefly involved—the criminal—feel? Surely at the end of the trial, when impartiality is cast aside and the judge delivers a series of stinging rebukes and moral condemnations, he must feel that the whole thing is an elaborate fraud, that he was trapped from the start and that "they" never intended to give him a fair trial. We revel in the pomp and circumstance of our courts and in this are as silly as the French; Mrs Bedford sneakily establishes her point that perhaps there is something to be said for the despised bourgeois Swiss, with their matter of fact courts and judges in lounge suits, the product of a society that believes in rather than professes equality. Not that reliance can always be placed in the people as the Germans found to their cost. The Weimar Republic had to abolish the British-type jury because they brought in too many convictions; however, the Germans are a notoriously difficult race.

A comforting feature of Mrs Bedford's book is to show that other nations have their shortcomings too. She gives a horrific picture of Austrian *Schlamperei* in a provincial court, and anyone who has criticised the British magistracy should read her bloodcurdling account of how the French dispense summary justice. Mrs Bedford has written a fascinating and also a valuable book, but it is also a sad one. The individual caught in the meshes of the law, whether it be English or German or Swiss, is a depressing sight. Irritating, disgusting, pitiful by turns, he is hardly ever dignified or even human. Not even Mrs Bedford can give us an Aristotelian vision of justice at work. St Augustine was right. The law is a necessary evil. One can say no more than that.

Kindest Cut

The English Inside Out

By Pearl Binder.
Weidenfeld and Nicolson. 264 pages. 25s.

Miss Binder is a prober, a cutter-up of unconsidered trifles and a connoisseur of class-distinctions. In this, her latest book, she has spared the Scots, Welsh and other un-English Britons the attentions of her scalpel eye, and has in the pleasantest way possible dismembered the English alone; thence she has spread out on her bench our poor bits and pieces—our Englishness; our class prides; our home, sex, and love lives; our youth, work and play, humour and art; our clothes; our H-bomb; and our God—and affectionately dissected each one. What she finds is a catalogue of aberration from the human norm enough to transport a student of morbid psychology: but she has the true detachment of the anatomist, and what may well mortify her reader fills her only with interest and even admiration. The English are, so to speak, spotty with the efflorescences of inner conflicts: such things as paragraphs from *The Times* and snatches of pub conversation are the symptoms of stress.

We are, she discovers (and proves it) children, Peter Pan figures engaged in a life-long, fool game of social snakes-and-ladders. But we are not, for this reason, negligible: on the contrary, it makes us all the more important in the world, more valuable to civilisation, better able to survive the terrors of the age. Nonsense? Perhaps; but nonsense so engagingly written, that, when she asks on her last page: "Is this of any value?", we can only agree with her and answer: "We believe it is."

Stay at the First Glass

The Enemy in the Mouth

By Joseph Kessel.

Hart-Davis. 187 pages. 15s.

If anyone wants to read about the methods of Alcoholics Anonymous, which for the last twenty-five years has been reclaiming alcoholics in the United States, he will find this account, by a French journalist, readable and graphic. It is also sensational and at times almost unbearably embarrassing but, after all, so is the subject. AA began as an offshoot of the Oxford Group, and some of its methods have a distinctly groupy tinge about them: public confession ("My name is John N., and I am an alcoholic"), sharing experiences, prayer to some form of "Superior Power." It is little wonder that many alcoholics just cannot stomach joining such a body.

Yet there can be no doubt of the help it can give to those who are prepared to accept its rules. And the movement has spread. Started by one alcoholic helping another in Akron, Ohio, it now has 300,000 members (two-thirds of them in the United States) and branches in eighty countries. In the larger American towns, through its "intergroups" it provides immediate help—which means sending along a member of AA—for any alcoholic who is at the end of his tether—or whose family is. Further, in the twenty-five years of its existence, the members of AA have accumulated a number of facts and beliefs about the disease of alcoholism, some of which are accepted and applied by doctors and others trying to treat it.

One of these is that the alcoholic must stop thinking about a lifelong pledge and concentrate on not drinking in the next twenty-four hours. Coupled with this is the recognition that for him there can never be "only one glass," that, if he wants to remain cured, he must always refuse the first glass. This rule derives from AA's belief that alcoholic craving is an allergic reaction to which some people are born predisposed, and that this is what distinguishes alcoholism from heavy drinking. This theory is not, however, generally accepted outside the movement. For one thing, in England alcoholism is rarely found in the young, and when it does occur—in middle age—there is usually a history of years of heavy drinking. This suggests that an alcoholic has been gradually conditioned rather than born to the disease; and that alcoholism is more frequent among the young in America than in England may be explained by their greater tendency to drink spirits rather than beer.

Theories apart, the practical treatment and support evolved by AA have proved themselves over and over again. Reading Mr Kessel's book, one cannot help wishing that someone would start a movement, providing group support but without being groupy, for the millions of alcoholics untouched by AA. Probably it could not be done.

A New Assessment

The Art of George Eliot

By W. J. Harvey.
Chatto & Windus. 254 pages. 21s.

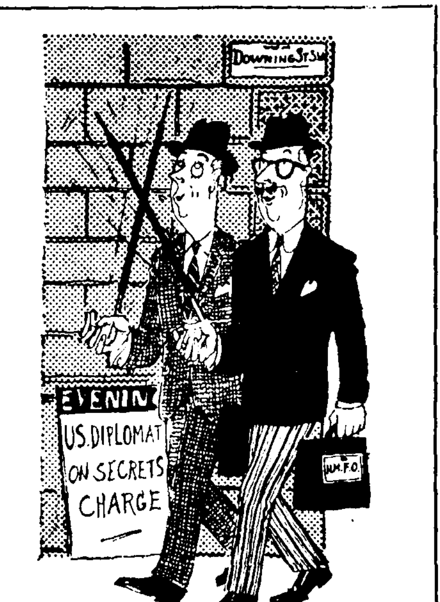
Criticism of George Eliot that assumes major flaws in her art's mastery is obviously absurd, and it is one of the merits of Mr Harvey's useful and interesting book that in many important ways he arrests a current that has been flowing in a somewhat derogatory direction for many years. Critics, while admitting George Eliot's substantial power—why else, indeed, should they bother to write about her?—have niggled at her means of deploying it and, most importantly, at her narrative methods. It has long been taken for granted that the "omniscient author convention" is a poor tool, used only in default of later and better methods and, in any case, used clumsily by George Eliot. Undoubtedly the most useful and enlightening gift of "The Art of George Eliot" is Mr Harvey's re-examination of this assumption and of the convention as George Eliot uses it.

His decision is that she uses the convention efficiently in the fulfilment of a necessary and specific function: the linking of "the fictional microcosm of the characters and the macrocosm of George Eliot and the real world." George Eliot's is not a romantic vision in the sense in which John Bayley made the distinction in "The Characters of Love," not a self-contained world but one which, as Mr Harvey puts it, is "coterminous with the 'real' world, with the factual microcosm." To bridge these two worlds, the omniscient author convention can be the most appropriate tool, and in showing that George Eliot uses this tool properly and often brilliantly, Mr Harvey has redressed a long-standing injustice.

Mr Harvey is modestly helpful on the subject of imagery. He points out, as is needed but seldom done, that consistent use of imagery may be unconscious on the writer's part and unconsciously assimilated by the reader, but that the writer's choice of even apparently dead metaphor "may allow us to feel reverberations of greater significance in an apparently neutral and innocent phrase." On the subject of imagery the reader who is not a professional critic is too often made by professional critics to feel stupid and unperceptive, and it is usefully stated that the general reader's full enjoyment need not necessarily involve the verbalised awareness which is the professional's business.

Another useful redress of balance is Mr Harvey's attempt to show that George Eliot was less dotingly involved with her Maggie and her Dorothea than earlier critics have supposed. His is not all praise, but his carpings are the more willingly received for the perceptive admiration that underlies his whole approach.

But perhaps the most significant sentence in his book is one he proffers almost as a throwaway—"without the primary enjoyment we should hardly bother to rationalise." About that primary enjoyment he, like other critics, says nothing, and one may suggest that so long as "story-teller" can be adversely contrasted with "novelist" they never will. Perhaps the sole disservice that Mr E. M. Forster has rendered to English literature was his denigration of the story-teller; and English criticism has never recovered from it.



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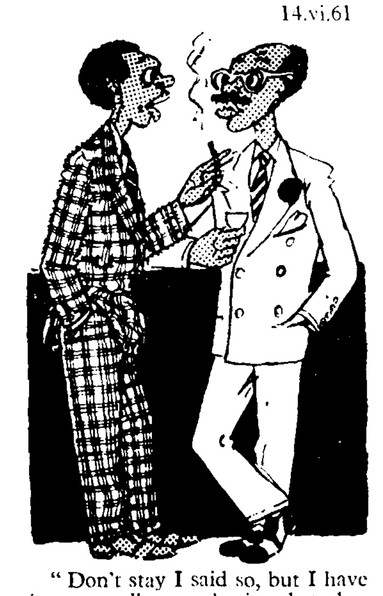


"Don't stay I said so, but I have it on excellent authority that that fellow Tshombe's been whiteballed for Blacks!" 10.viii.60

In his foreword to the latest selection of his pocket cartoons ("Signs of the Times 1939-1961." *Murray.* 144 pages. 21s.) Mr Osbert Lancaster tells us that, in going through a thousand or more drawings, he was appalled by the number of times his own response was a total blank—the point of the joke gone, the incident, once apparently of historical significance, become trivial. This will not, however, be the reaction of his readers, at least those of them old enough to remember the war, to the selection he eventually made. It represents his coming of age as a cartoonist, and it includes plenty of drawings of Maudie Littlehampton making her devastating remarks down the years.

The Turn of the Tide

The Yorkist Age

By Paul Murray Kendall.
Allen & Unwin. 526 pages. 35s.

The idea that modern history began with the Tudors has been attacked on two sides. On the one, the rise of the layman Thomas Cromwell under Henry VIII and his use of the flexible office of secretary have been seen as the beginning of a new type of bureaucratic administration; on the other the assertion that the Tudors created a strong central government and restored the fortunes of a country rent by civil war has been challenged by the very real claims of the Yorkist kings to have done precisely the same thing. Mr Kendall's book has thus a special interest, and although he settles no issues, he does provide a general picture from which conclusions can be drawn.

Mr Kendall clearly admires the Yorkists, but he does not in fact prove that they succeeded in restoring order. The extant evidence is all too clearly the other way; both the Shillingford and Paston letters show that private war and local violence were endemic. Nevertheless Edward IV did manage to restore the dignity and prestige of the monarchy, and in contrast to the shabby and mad Henry VI, he was an able and energetic ruler.

The most illuminating section is on trade, for it is here that the turn of the tide under the Yorkists can be seen. The country was becoming increasingly prosperous, and Edward actively encouraged trade, engaged in it himself and pioneered the building of a merchant fleet. At the close of the reign of his brother Richard III, England's exports of broad cloth alone were worth £100,000. Bristol merchants were sailing to Iceland and had attempted to open up the Mediterranean; clothiers inland were building gig-mills and starting an embryonic industrial revolution; the newly incorporated Merchant Adventurers were expanding on the continent under the direct patronage of Edward IV.

In one sense Mr Kendall's book is yet another readable social economic study drawn from contemporary sources. What makes it particularly rewarding for the reader is that the sources are both rich and varied. He uses the Stonor and other papers, the Shillingford and Plumpton and Paston letters, and the autobiography of that travelled and hysterical woman Margery Kempe; with these behind him he can hardly go wrong. Mr Kendall has nothing startlingly original to say, but his writing is lively and entertaining. Anyone wanting to know how the marriage market was worked, or children educated, or what people ate, read and did in late fifteenth century England, can find it all in this book.

Only twice does Mr Kendall enter the controversial ground of *real-politik* with something new. He has a lively and hostile description of Elizabeth Woodville, the wife of Edward IV; and an equally interesting description of the enigmatic Margaret

Beaufort, the mother of Henry VII, whose intrigues in London may well have helped her son to the throne.

What is abundantly clear from the book is that the revival of England as a mercantile power and of the monarchy as the symbolic head of an emergent nation was the work of the Yorkists. The forces of change that made England a modern state may well have been those of the Reformation, but the materials were ready to hand, and the Tudors built on foundations already in existence.

Russia Between Covers

Everyman's Concise Encyclopædia of Russia

By S. V. Utechin and others.

Dent. 649 pages. 30s.

ALL the Russias in one Everyman? Dr Utechin, with the help of his wife and a team of specialists on cultural subjects, has made a gallant bid to compress between two covers the vast four-dimensional sprawl of the modern Soviet Union and the Russias that preceded it. Inevitably, it is easier to see what has been left out than to suggest what might have been omitted instead. The encyclopaedia keeps a very fair balance between past and present, between public affairs, the arts and social phenomena (the last including some significant data on class structure in modern Russia). It is useful to have explanations of some of the favourite Soviet portmanteau terms, such as *partorg*, *politruk* and *sovnarkhoz*, and of such current slang words as *blat*, *shturmovshchina* and *stilyagi*. And there is, of course, much material here that cannot be found in Soviet publications, including references to such "unpersons" as Lavrenti Beria.

However, one scans the entry on Trotsky, for instance, in vain for any clear indication of the main issues between him and Stalin. Anastas Mikoyan's long and agile career is dismissed rather summarily, in only half the space allotted to, say, Kuybyshev. Otto Kuusinen gets no entry at all; nor is it easy to collect more than scattered scraps of information about the 1939 invasion of Finland, during which he was installed as head of a puppet Soviet-Finnish government.

It is not only in the modern political field that curious omissions are to be found. There is no entry, for example, for Borodino; and neither in the paragraphs on the history of Moscow nor elsewhere is there any account of the Napoleonic invasion of 1812. Alexander Popov's priority over Marconi in the invention of radio-telegraphy is claimed with surprising baldness. Among the writers of the Soviet period, there is an entry for Evgeni Zamyatin but none for Isaac Babel; among painters, Kandinsky has his paragraph, but there is none for his fellow émigré, Chagall. It seems only fair to the reader that he should be warned that this volume contains rather a number of gaps of this kind. In fairness to the authors, however, it should also be said that the omissions betray no identifiable bias, but would seem to arise purely from the need for compression; and that in all other respects this is a uniquely compact and handy work of reference for the huge, and hugely important, field it covers.

Dickens in Pictures

Charles Dickens: *A Pictorial Biography*

By J. B. Priestley.

Thames and Hudson. 144 pages. 25s.

SLIGHTLY petulant, slightly arrogant, touchingly young, Maclise's portrait of Dickens at the height of his fame is a useful counterpoise to our habitual English belief that great men are venerable and youth to be mistrusted and reviled. Pictorial biography may often provide a stimulating and revealing supplement to more academic critical studies, and Dickens, pre-eminently among writers, proves a proper subject for this more popular approach. It was extremely sensible of the publishers to invite Mr J. B. Priestley to provide the text for "Charles Dickens," the first in what is to be a series of pictorial biographies, for Mr Priestley brings to it the sympathy and understanding of a writer working in this same perennially interesting, essentially English, tradition.

In these times of widening culture, critical studies of this kind seem likely to meet a growing need. Those artists in all fields whose work is widely popular, who can transcend the usually too restricted cultural compartments of our time, need interpretation at all levels, and not least at the level of this book on Dickens. Mr Priestley gives a fair and full account of the life; speculates, within proper limits, on motivations; and offers judgments of the work with which most will agree, though it is, perhaps, a little surprising to find him saying that only "a few Marxist and socialist critics" think well of "Hard Times." The pictures—of people, of places, of illustrations from the books—are fascinating, and evoke an almost claustrophobic feeling of the period. Whether for these alone, or for picture and text together, this pictorial biography is a safe present for all people of all ages who enjoy Dickens's work.

Valete

The Concise Dictionary of National Biography. *Part II, 1901-1950.*

Oxford University Press. 528 pages. 42s.

BY and large they do look a Whiggish crowd and no mistake. Ramsay Mac and Baldwin ("a genius for waiting upon events") weigh them down from the top, of course, but here they are, the lot of them, the Robert Hornes and Hicks Beaches and the greater exemplars, the Goschens and Milners. Well, perhaps *they* were sound enough, but just as dull. And everyone, it seems, wrote for dear life in the middle of everything else. Even that surprising mid-Victorian relict Miss Nightingale put pen to paper in her day. The only ones who didn't (barring Montagu Norman) were those bit-players, the English cricketers (this was up to 1950, remember) and Scotch judges.

Scribble, scribble, scribble: it is impossible to open this DNB half-century without finding an editor or valued contributor staring bleakly up. Not all were bleak. Harmsworth, Scott, Pearson, Leng, Newnes, Chesterton, Morley, Stead: this was the great generation of journalism, reaching into every recess of life. Acton? Why he's the EHR man. And even Eyre Crowe's memorandum counted for a whole raft of diplomats (*qv*). It is hard to believe that any other age will be so commemorated, even by the DNB, again.

But to business. How is justice measured out spacewise? The national *valete* is a serious matter, and if Ll.G. has a line or two more than Asquith (he has, too) it is incontrovertibly an historical judgment. So Baldwin is disposed of in a column, and Balfour from a more expansive age gets two. George V, who actually did something for the monarchy, gets three columns, but Edward VII ("eminently satisfied contemporary conditions of kingship") runs to over eight. Ah, but Edward was Sidney Lee's particular pigeon; there must be no tampering with the master's work. And Lee himself? Well, there is a carping criticism, after all, and of the latter-day DNB too: "neither first nor second Supplement preserved exactly standard of selection maintained in main work; first Supplement tended to restrict admission, while second Supplement was far more inclusive than main Dictionary." So that's why. But for the presiding genius himself, naturally nothing less than a full, rounded column.

Reappraisal

Thomas Wentworth, First Earl of Strafford

By C. V. Wedgwood.

Cape. 415 pages. 30s.

Many disordered lives I saw
And foul records which thaw
My kinde eyes still, but in
A fair, white page of thin
And ev'n, smooth lines, like the Suns rays,
Thy name was writ, and all they days.

THESE lines by Vaughan might apply to Miss Wedgwood, whose kind eyes first turned to the saturnine figure of Strafford in 1935. The portrait she then drew had the smooth texture of velvet, and Strafford, unlucky in his life, had a posthumous reward in so sympathetic a biography. But in the intervening years the velvet wore thin. On the one hand, the Wentworth Woodhouse papers deposited in Sheffield provided a mass of new material; on the other, historians laid a new emphasis on the private ambitions which can distort ideals, and on the ambivalence and disingenuousness so often concealed behind the façade of public service. "Disordered lives" and "foul records" have not thawed the eyes of the younger historians but have given them added sparkle. Mr Kearney has exposed the workings of Strafford's administration in Ireland; Mr Cooper has revealed his disturbingly massive gains from office; and Mr Ranger has given us a brilliant revaluation of Strafford's political significance. The "fair, white page" was extensively blotted, and Miss Wedgwood decided that a "drastic reappraisal" was necessary.

The result is a greatly expanded book with entire chapters, notably those on Strafford's administration in the north and in Ireland, rewritten. The ambivalence which scarred Strafford's career becomes apparent. The attractions of the Lord Deputyship were "the personal profit to be gained from the place" and "the opportunity and means to supply the King's wants." Although he told the Earl of Arundel in 1633 that "landless I came and landless will I come back," he showed a voracious appetite for Irish estates, investing in them the proceeds of monopolies and customs farms. While he was acquisitive and ruthless, he was also violent and authoritarian, prepared both to manipulate and to beat down opposition.

The indictment can be piled up high against Strafford, but Miss Wedgwood is scrupulously fair in paying tribute to his services to the Crown. No historian can be ignorant of the end of the story he is writing, and the shadow of the scaffold to which an ungrateful king sent Strafford lies across his earlier career. Miss Wedgwood tells the final tragic episodes superbly, but her sensitivity to these perhaps accounts for the fact that where others have seen "double-think" in Strafford, she prefers to hold that "he merely had lapses, as though there were certain areas of conduct where his theories of integrity were simply not relevant." A less kind biographer would have pointed to Strafford's sales of land just before his "great apostasy," and would have considered more fully the reasons for his change of side. Miss Wedgwood's mellifluous style charms the reader: the flowing lines and rich ornamentation of baroque portraiture are here, but also some *trompe-l'œil*, while there is not enough black, the favourite colour of the artists of this genre.

An illustration from **"A Memoir of Thomas Bewick written by himself."** Edited and introduced by Montague Weekley. *Cresset.* 239 pages. 18s.

Bewick 1753-1828, one of the last artist tradesmen, lived and worked on rural Tyneside when Newcastle only had 20,000 people. His wood engraving raised the standards of craftsmanship throughout the publishing world and his influence was strongly and increasingly felt until the process camera killed the whole trade in the nineties. His work is now used, copyright free, as a stimulating filler in advertisements, book jackets (why not on this one?), magazines and menus. The Memoir shows Bewick as an insular rural puritan, but his writing is fascinatingly emotional and a social documentation of his life and times.

The Pirate Wind

Captains Outrageous

By Neville Williams.

Barrie and Rockliff. 255 pages. 25s.

THE number of members of Parliament for such places as Rye or Dartmouth who began their careers as pirates is really surprising. It is even more remarkable to find Lord High Admirals taking their whack out of piratical cruises in the Channel. Not until that redoubtable judge, Sir Julius Caesar, conquered the west country by his reorganisation of the Vice-Admiralty courts, and not until Cromwell founded an efficient naval service, did the reign of the pirates over the British seas come to an end.

Those who had a taste for such a life then took to the tropics. The classical age of piracy, when the image of the sea robber in full-bottomed wig sailing under the Jolly Roger was stamped upon the public mind, was the beginning of the eighteenth century, the age of Avery, Blackbeard and Captain Kidd (to whom Mr Williams is much too kind). But in the middle ages piracy was the principal occupation of English seamen. It is significant that Eustace the Monk, the first pirate of whom we have real knowledge, was for part of his career in the king's service. Historically, the breeding of that paragon of virtue, the naval officer, is out of piracy by privateering. In those days a man-of-war was a pirate vessel, not a queen's ship. Mr Williams wisely excludes the larger and more important question of privateering. Even so, it is often hard to say at what point men like Frobisher or Drake were pirates, privateers or naval officers.

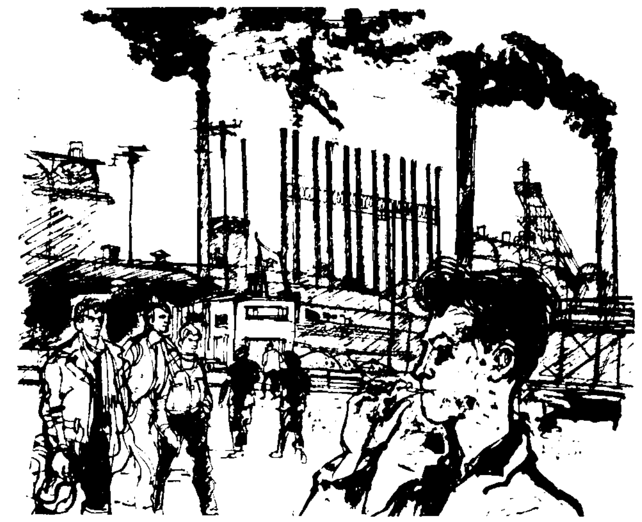
Such is the story Mr Williams tells from the days of Chaucer's shipman to those of the suppression of pirates in the China seas. This is the most reliable history of British piracy and its suppression yet written. Hitherto, the late Dr Gosse's book was the best available. But Gosse, the owner of a fine pirate library, relied on literary sources such as hanging pamphlets, ballads and the ever-popular "General History of the Most Notorious Pyrates" by Captain Johnson. Mr Williams is hardly concerned with the pirate in literature; he does not even consider the interesting possibility that Johnson was really Daniel Defoe. He has gone back to the primary sources such as the records of the High Court of Admiralty. The result is a book in which the scholarship does not obscure the colour of this fascinating subject.

Execution Dock, where the pirate of old was sentenced "to be hanged by the neck until you are dead, dead, dead," no longer exists; but the bank robber of today carries on the tradition of daring raids amid shocked journalistic acclaim. For what is piracy but interference with the free movement of commerce, by sea or by land?

HOME REPORT

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

Early Days in Sheffield



FROM OUR SPECIAL CORRESPONDENT

THE new year sees the first of the big bulge of school-leavers: in 1962 603,000 boys and girls between 15 and 17 will be settling down to earn their first week's wages. For the boys this has previously been a moment of aimless suspension between childhood and military service: the end of national service and the beginning of the bulge make it particularly appropriate just now to take a hard look at the school-leavers' problems. A report* from the official pundits last week gave some grounds for thinking that, after all, they are not too bad.

In the first nine months of 1961 industry was able to find jobs for all but a tiny proportion of those leaving school between the ages of 15 and 17 (except in the perennial problem areas of Scotland, Wales and the north-east). Best of all, 38.4 per cent of the increasing number of school-leavers were apprenticed to skilled crafts, compared with 36 per cent in 1960. There is a steady trend towards later school-leaving: but 60 per cent of children still start work at 15.

This figure gives point to another, smaller, infinitely more detailed (but as yet unpublished) study undertaken in 1959 and 1960 in Sheffield. Financed by a grant from the Department of Scientific and Industrial Research, Mr M. P. Carter of Sheffield University selected at random twenty boys and twenty girls from each of five secondary modern schools in the city. All of them left school at 15: Mr Carter interviewed them, their parents, their teachers and their employers, to see how they fared during their first, and possibly formative, year.

The schools were situated in contrasting areas (new school in middle-class district, old building in a slum area due for clearance, etc.), but only 15 per cent of the 200 children had middle-class parents. The community from which they come is hard-working and prosperous, with unemployment steadily under 1 per cent: it also has a notable craft tradition in the many firms, large and small, making special steels. Half the fathers were working in the steel industry.

Despite this solid and homogeneous background, very few of these 15-year-olds had much idea of what they wanted to do. Of the 200 children, 36 boys and 36 girls had changed jobs within the first year, 11 boys and 8 girls having had at least two jobs in that time. Very few indeed were sacked: only four moved because they wanted more pay. Even in steel and engineering, entered by 40 boys, 20 had changed jobs in the year and 15 of these had gone into outside occupations (while two others transferred into steel or engineering within the year).

Forty-eight boys got apprenticeships on leaving school—27 of them with the help of relatives or friends, and 13 through the Youth Employment Service—but 15 of the 48 had given up their apprenticeships in the first year. (Eleven of these 15 had low intelligence test scores and should probably never have become apprentices in the first place.) In short, the way in which jobs or apprenticeships were found was hopelessly vague. Mr Carter's two most depressing comments are: "The jobs obtained generally had little relation to the jobs aimed at"; and, even worse: "The majority were far from clear about what work was entailed in different occupations."

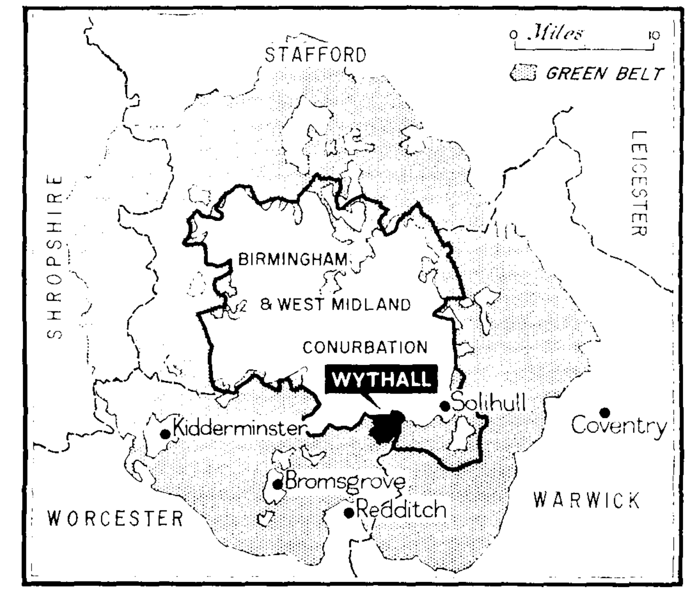
WHO is to blame for this? Perhaps first the parents—although the rational discussion of alternatives is not a common practice in most English families, let alone among manual workers. Careers masters in schools may or may not have the time or the inclination to go into the details of their dumber pupils' preferences. The youth employment officers found jobs for 31 per cent of the boys and 23 per cent of the girls, which seems highly creditable: but there were only 9 officers for some 5,000 Sheffield school-leavers, and it seems as though both children and prospective employers were inclined to regard the Youth Employment Service as a last resort.

Ultimately the culprit may simply be full employment. Employers need labour, whatever its quality: many jobs, even some apprenticeships, were given to lads calling in on the off-chance (18 boys and 16 girls got work this way and 6 boys got apprenticeships). In a climate of full employment school-leavers may not be particularly concerned about job security, or even about acquiring a skill. And a knowledgeable local remarked that many of the jobs open to school-leavers can be done by anyone who is not actually a moron. Here lies the danger that may be concealed by the Youth Employment Council's apparently gratifying figures. The young people who stay on at school until they are 16 or 17 do so because they—or their parents—are brighter or more pushful: most of the better apprenticeships start at age 16, and the lads who are going to take them up have no incentive to leave school before then.

But at present nobody seems particularly interested in those who will always leave school at the earliest possible age—the problem will not be abolished, merely postponed, by raising the leaving age to 16. Even the trade unions, who both nationally and locally in the Sheffield trades council have been among the first to concern themselves with the problems of the bulge, fell down on the job with the subjects of the survey. Only one-eighth of them had joined a union by the end of the first year of work. Many unions, indeed, will not admit members under sixteen: but most of those who were union members had no idea at all of the function of a union—and some of them did not even know the name of the one they belonged to.

* Interim Report of the National Youth Employment Council on the Employment and Training of Young People. HMSO. 2s.

Remember Wythall



BIRMINGHAM'S last major essay in imperialism, to take in 2,400 acres at Wythall on its southern boundary, was defeated by the counties of Warwick and Worcester after a planning inquiry in July, 1959. The city thereby lost the chance to rehouse 40,000 of its population, together with some factories, on a site wholly under its own control. The ring had been closed round the west Midlands conurbation, the most rapidly expanding region of its kind, in the name of good planning.

Some of this has been pure gain. For the first time the city was forced to take seriously such planning projects as the new town at Dawley—which still awaits the Ministry's approval. Many of the most vocal Midlands planners believe that the real answer to Birmingham's problems is to disperse new economic life and populations among the dead areas of its surrounding counties and up into the foothills of mid-Wales. But the progress of these schemes has been desperately slow: and with each year that has passed Birmingham's office population has continued to grow, and the demands on space in rehousing slum dwellers have become increasingly serious.

Last summer the Ministry relented slightly, allowing Birmingham 600 acres at Wythall (6,000 houses) to relieve the pressure. But it proposed to deal with the west Midlands overspill by large-scale developments at Worcester, Redditch and Daventry. The Redditch suggestion (to take 50,000 people) has, in particular, raised eyebrows all round. Birmingham cannot see why it should not be allowed to do the job on its side of the green belt: the new town enthusiasts are aghast at the idea of so many people merely commuting into Birmingham instead of starting new industrial and office complexes further afield.

This saga is now likely to become a classic, both because Birmingham is a test case of how far planning should be allowed to impinge on natural economic growth and because someone has actually taken the trouble (virtually for the first time in Britain) to analyse the Wythall inquiry* and reveal the welter of official inadequacies, local politicking, good intentions and sheer ignorance that the exercise displayed. The comments by the chairman of the executive of the Town and Country Planning Association and the secretary of the Midlands New Towns Society are recommended reading for bemused local authorities.

Three main points emerge. The first is the need to think of green belts as something other than constricting girdles which do not stop urban sprawl on the farther side but merely limit the enclosed local authority's ability to take the easiest way out of its problems. At Wythall the chief strategy of Warwickshire and Worcestershire was to shelter behind the green belt in order to stop Birmingham's encroachment on their territory, not to further the interests of good regional planning. The counties' attitude, and the Ministry's resort to the Redditch palliative, leave an uncomfortable impression that Birmingham got the worst of each possible world.

The second point is the frightening absence of facts on which determined arguments (reflecting strong local pride, if nothing else) were regularly developed. Birmingham's own officials were frequently muzzy, or differed radically between themselves, on the size of the rehousing problems confronting them. Much more serious local research inside the major conurbations (possibly by social scientists in the universities) is needed.

Thirdly, and particularly in the absence of effective regional authorities in this country, the Government must take a large share of the blame for the inertia and muddle. The return to the new town idea in dealing with Liverpool's overspill at Skelmersdale is an indication of official repentance. Local prejudices played a major part in the failure of the Town Development Act to achieve its potentialities, but the push from the top was certainly lacking. If the natural resistance of small firms to move out of the normal ambience of the motor or any other industry, or to take on the financial burden of occupying new premises at higher immediate rents (but with more scope for expansion), is ever to be dispelled, it will need much more thought and action on a national level.

* The Wythall Inquiry. Edited by Joyce R. Long. Estates Gazette Ltd. 139 pages. 25s.

Who Leaves Home?

THE parliamentary furore over the control of immigration into Britain has left little room for discussion about the other side of the coin. Yet emigration from Britain is now at the lowest postwar level. The Oversea Migration Board, battling in its latest annual report with the usual array of inadequate and confusing statistics, estimates that the five year period 1957-1961 began with an almost record year (the year after Suez) when some 230,000 emigrated from the country; by 1960 the number was down to 124,000 and the 1961 figure might be just slightly below this level. The downward trend in emigration has combined with the upward one in immigration to change the balance from a net outward flow of some 72,000 in 1957 to a net inward flow of 82,000 in 1960 and of a still larger number in 1961.

It is, however, only the population of England and Wales that is being so increased. The numbers leaving Scotland and Northern Ireland continue to exceed new entrants. In 1960 there was a net outward movement from Scotland of about 8,500 overseas and 23,500 to other parts of Britain. The board records the Scottish concern about this drift, but is itself only required to consider the movement of 124,000 men, women and children overseas, representing a loss of manpower of about 63,000 or less than 0.3 per cent of the working population. The board knows nothing about the one-quarter of emigrants who go by air, but of those taking long sea routes, nearly four out of ten of males aged 15 and over were in professional, managerial, clerical or distributive occupations, as were most of the women other than housewives and students. These were much the same proportions as in the previous year. But the net loss (balance of outs and ins) in respect of teachers, doctors and trained nurses declined from 1,888 to 846, while that in professional engineers and scientists stayed around 350 in both years. Allowing for air emigration, the cumulative loss in some skills may be significant. This leads the board to conclude that, while in terms of numbers, the country can sustain emigration at its present level, the attention of the four main receiving countries of the Commonwealth (Canada, Australia, New Zealand and Rhodesia) "should be drawn to the present limited manpower resources of this country in certain skilled and professional categories."

AMERICAN SURVEY

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Disjointed Democrats

WASHINGTON, DC

THE Democratic party, a coalition of ill-assorted elements that usually manages to achieve a semblance of unity during presidential election campaigns but begins to disintegrate soon after, seems poorly equipped for the two formidable tasks facing it in the new year; both require a unity and vigour which the party now lacks. Without these it will be difficult for the Democrats either to promote President Kennedy's programme successfully in the new session of Congress which begins on January 10th or to make their best impact in the elections next November, when all 435 seats in the House of Representatives, over a third of the Senate's 100 seats and many State Governorships will be at stake.

As far as the next congressional session is concerned, President Kennedy will be hampered by considerable opposition from within his own party to the two major proposals to be pushed by the White House: greater tariff-cutting powers so that the government can meet the challenge of the European common market, and medical insurance for the aged financed through the social security system. There is no sign of any diminution in the tendency shown by conservative southern Democrats during the last half of this year's congressional session to join with Republicans in scuttling the President's measures. In fact, matters may be far worse next year in the House, where Mr John McCormack, who will be elected Speaker to succeed the late Mr Rayburn, is a leader of mediocre parliamentary skill and questionable loyalty to Mr Kennedy. Nor will the party organisation go into next year's election campaign in a state of health approaching the sleek and muscular condition in which just over a year ago it performed admirably on behalf of Mr Kennedy's drive for the Presidency. It has grown flabby since those days, plagued nationally by major arguments between its component parts and locally by petty quarrels over the distribution of judgships and other federal patronage. Party workers who stood shoulder to shoulder momentarily in the 1960 campaign have resumed their old feuds.

Yet as the new year approaches Democrats are not noticeably gloomy and Republican optimism is tempered. Both parties realise that the Democrats possess a spectacular asset in the ever-growing, undisputed and generally unexplainable personal popularity of Mr Kennedy. The Gallup poll shows, and reports by Congressmen returning from the recess confirm, that this popularity is spread throughout the country, even in such Baptist-dominated states as Tennessee and Oklahoma which voted overwhelmingly against the first Roman Catholic President a year ago. Whether this means that people are pleased about the general economic prosperity and the absence of a shooting war or merely (as Republicans claim) that Mr Kennedy personally is not associated in the public mind with the Administration's policies, the President's popularity carries important political implications for 1962.

It could prove the salvation of his legislative programme: an indecisive, fence-sitting Democratic Congressman is more apt to vote for measures advocated by his President if that President's rating in the polls back home is soaring. This popularity could count for still more if for the first time Mr Kennedy decides to appeal over the heads of Congress directly to the voters on behalf of a vital issue such as freer trade. Democratic victories in congressional elections during most of the Eisenhower period demonstrate that the ability of even a popular President to influence such contests is limited. But politicians in both parties expect Mr Kennedy's popularity to hold down the almost inevitable Republican gains next November.

NEVERTHELESS, the President's popularity can only ease, not really erase, the organic ailments of his party. In fact, some Democrats complain that Mr Kennedy has done nothing to reform and revitalise that party into an instrument of liberal policy. What these critics fail to explain is where he would find the time for this task or just how he would go about it if he had the time. For example, no amount of pressure from the White House seems likely to reverse the protectionist sentiments of Democratic representatives from districts where a textile mill, a pottery plant or some other industry claims to have been injured by foreign imports. The spread of protectionism among southern Democrats, formerly the staunchest advocates of free trade, has been particularly rapid.

On other issues Mr Kennedy suffers still more deeply from the party's deep north-south cleavage that finds a majority of southern Democrats in Congress totally out of sympathy with the liberal proposals of his new frontiersmen on social welfare. It is primarily because of this southern conservatism that the Administration's medical care plan faces no better than a fifty-fifty chance of passage and broad-based tax reform and far-reaching legislation on education, agriculture or civil rights seem out of the question next year.

But the internal dilemma of the Democratic party cannot be explained exclusively in terms of votes in Congress or of the split between North and South. Although northern Democrats in Congress are generally united in support of the President's programme, the party's northern wing contains antagonistic elements that will find it difficult to band together for an efficient campaign next autumn. The Democrats lack the cultural and social homogeneity of the Republicans, who remain for the most part a minority party of business executives, professional men, merchants and farmers, primarily of native or early immigrant stock. Apart from the nearly autonomous southern wing, the Democratic party consists of reformers and other political amateurs, big city machines led by professional politicians, ethnic and racial groups, liberal intellectuals, trade union leaders and organisations of left-wing farmers—a conglomeration almost certain to generate internal friction.

The most potentially disruptive friction pits the bosses of the big city machines, who dominate party affairs along the eastern seaboard, against the amateur reform politicians, most powerful in the middle and far West. The reformers complain that Mr Kennedy has bestowed too much party power on the professionals; in particular they denounce the performance as national party chairman of Mr John Bailey, a no-nonsense professional who is the unchallenged boss of the Democrats in Connecticut. These reformers contend that Mr Bailey and his eastern associates not only provide the party with a shoddy national image, but also think solely in terms of patronage and local organisation, failing to understand that to pin-point issues is the best way to enlist support in mid-western and far-western campaigns.

Although most of the big machines were effective in getting out the votes for Mr Kennedy's paper-thin triumph last year, the party's reform element believes that the urban bosses could do the Democrats more harm than good in the long run and possibly even in the 1962 elections. Surprisingly narrow Democratic victories in Philadelphia two months ago indicated growing public resentment against the supposedly invincible Philadelphia city machine of Mr William Green, who lives a dual life as Congressman and big city boss. Mr Robert Wagner broke with the New York machine, but even so only just managed to win an absolute majority of the vote in capturing a third term as Mayor of the city. Ruptures within the party have been appearing in other states. In California constant struggling between professional Democratic politicians and a crusading liberal group known as the California Democratic Council encourages the Republicans to hope that Mr Nixon will win the Governorship. Quarrelling in Michigan between trade union leaders and the regular party organisation contributed to unexpected Republican victories there this year and could, if it continues, give the state its first Republican Governor in fourteen years. In Wisconsin Democrats have been pouring their energies into involved disputes about federal patronage. Senator Clark of Pennsylvania, a liberal reformer, will be going into a difficult campaign for re-election facing the thinly disguised hostility of the Green organisation.

Moreover, important elements within the party are less than enchanted with the performance of the Kennedy Administration so far and may find it difficult to regain their campaigning spirit of a year ago. Trade union leaders are irritated by the President's talk of restraints on wages and of a balanced Budget; they want the government to act more vigorously against unemployment. Many liberal intellectuals would prefer less emphasis by the Administration on a military build-up and more stress on disarmament and more initiative in international negotiations. Western liberals complain that Mr Kennedy has not reversed Mr Eisenhower's conservative policies on the development of hydro-electric power and natural resources swiftly enough. Advocates of Negro rights are not entirely satisfied with Mr Kennedy's efforts against racial discrimination and are particularly disappointed over his failure either to recommend new legislation or to issue an executive order banning segregation in government-assisted housing projects.

To place the picture of disjointed Democrats in proper perspective, it must be remembered that the Republican party is suffering both from the lack of a nationally recognised party leader and from an increasingly intransigent right wing which threatens to withdraw financial support from Republican candidates unless they adhere to reactionary policies. Thus, when compared to their opponents, the Democratic party may not seem to be in such bad shape after all. Nevertheless, it is not, and seems unlikely soon to become, an effective instrument for Mr Kennedy to use in promoting the fulfilment of his Administration's goals.

Soaring 1962?

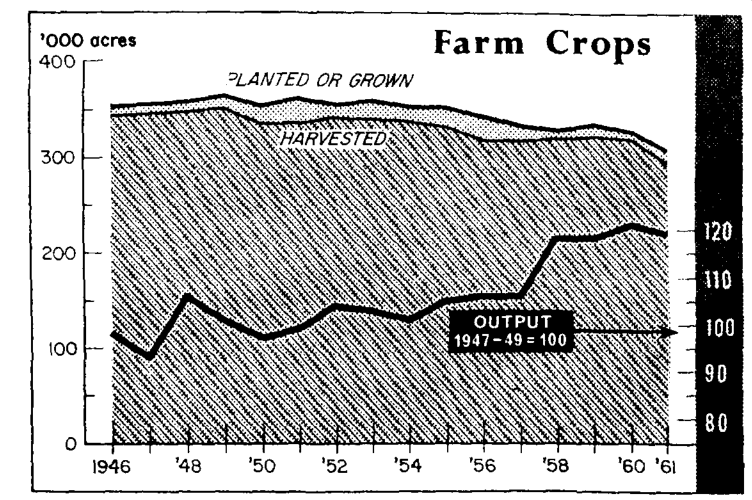
REMEMBERING how 1960 brought their inflated optimism down with a bump, this new year the economic prophets are tempering their confidence with caution. As a result their forecasts are less stimulating than the statistics on which they are based, for 1961, after bouncing along rather doubtfully for most of its life, ended in an upsurge of business activity, and particularly of spending by consumers, which makes it practically certain that the economic indicators will be pointing upward at least until the summer. At that point, however, the uncertainties begin. Not only is there the possibility of a steel strike but at mid-year also government spending, rising fairly steadily all through 1961, is due to level off, leaving private business to keep the recovery going. The summer is also the point at which unemployment is likely to stop falling; if it sticks, as it may well do, at above 4 per cent of the labour force, then those who insist that unemployment is now a chronic condition which cannot be cured simply by general prosperity will argue that their case is proven.

In these circumstances and with an election coming along, it would be practically impossible for the President to resist the demand for increased government spending to create more jobs. If the recovery slackens in the summer, then the government's income will drop below present estimates based on the prosperity which pushes up receipts from taxation. Thus both sides of Mr Kennedy's carefully-balanced Budget calculations may be upset just as the fiscal year with which they are concerned begins on July 1st. The balancing act itself introduces another doubt into the economic outlook. Many experts lay the blame for the speed with which recession followed recovery in 1960 on the huge swing in the federal Budget from a deficit of $12.4 billion in 1959 to a surplus of $1.2 billion in 1960—nearly $14 billion. The swing will be only about half that between June, 1962, and June, 1963, according to present estimates, but even $7 billion is quite a substantial change.

Some of the President's advisers have been pointing all this out to him. But others have been reminding him of the much more immediate problem of America's international accounts and of the lack of confidence which would be encouraged in bankers abroad by any sign of a willingness to add to debts at home. This argument reinforces President Kennedy's own inbred conservatism in financial matters and the latest reports from Florida are that the Budget to be presented to Congress next month will be balanced at about $92 billion.

Abundance Again

WHILE the international situation presents the main threat to the President's plans for a balanced Budget in 1962-63—over $48 billion is already allotted to defence and this could easily go up—the American agricultural situation is almost as great and just as intractable a threat. Of the increase between July and October of $1.3 billion in the estimated deficit for the current fiscal year, nearly $1 billion was accounted for by unexpected payments



to farmers, partly because they were producing more than had been allowed for and partly because of the new Act under which they are paid for taking land out of production. The legislation is achieving its purpose: the acreage planted was the least for fifty years and the acreage harvested was the least since records were first kept in 1909. But as usual yields went up, by 4 per cent, to 147 per cent of the 1947 average; as a result in the end this year's total output of crops is only slightly below last year's record. The special incentives given to farmers to encourage them to reduce their output of feed grains did bring a fall of 10 per cent in that category. Output of wheat was down by a similar amount, largely because of drought in the northern plains ; present forecasts suggest that wheat production may fall even more next year when a scheme similar to that applied to feed grains this year is being brought in for wheat.

Prices for this year's crops were also above last year's, so that the smaller quantity was valued at $600 million more ; total net income on farms in 1961 is expected to reach $12.7 billion, more than in any year since 1953 and $1.5 billion above 1960. But $900 million of this increase comes from the government which is paying the farmers $4.7 billion altogether this year. So it is not surprising that the Administration is said to be about to unveil a long-term plan for controlling agriculture drastically. But it will be surprising if Congress treats this plan much more kindly than it did the similar scheme for "managing abundance" which the Administration offered so confidently last year, only to be turned down almost completely.

Anglo-Zeckendorf

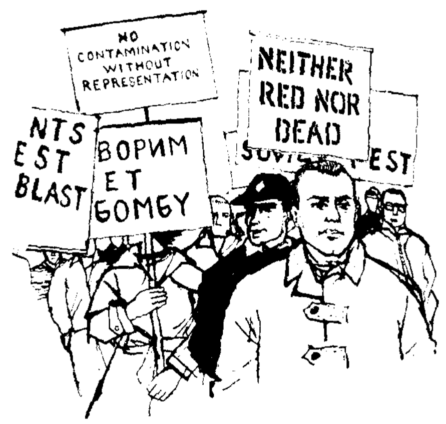
THE long-awaited reorganisation of Webb and Knapp, Inc., brings British capital to the aid of the most daring and gifted (and most entangled) property developer in the United States, Mr William Zeckendorf. Of the $43 million in new money which is being brought in, two North American banks are providing $25 million in five-year loans, but they might have been less helpful if it had not been for the $18.7 million being invested by the Philip Hill Group of London and the related Second Covent Garden Property Company, Ltd, which is also guaranteeing repayment of the bank loans. Philip Hill is paying $6.2 million for 4.5 million shares of Webb and Knapp itself, as well as for an option to buy shares in one of its subsidiaries, while Second Covent Garden is paying $12.5 million for a half share in a new firm, the Zeckendorf Property Corporation, and for two notes for $2.5 million. Earlier joint ventures in Canada probably brought the two sides together. The new scheme gives the British investors a direct interest in thirteen of Webb and Knapp's biggest urban redevelopment projects which are being transferred to the new firm ; they range from Century City in Los Angeles, on part of Twentieth-Century Fox's old motion picture lot, to the new United Nations Plaza in New York City. Only one—Park West Village, in New York—is complete. Zeckendorf Property, which will have first claim to all of Webb and Knapp's new urban development projects, will be listed on the over-the-counter market, thus ensuring that all the British stake is in quoted securities.

The new funds will enable Mr Zeckendorf to free himself from the clutches of the money-lenders, provide him with some much-needed working capital and enable him once more to borrow money at normal rates of interest. Mr Zeckendorf has never been able to resist an attractive proposition and has never worried about where the money was coming from to pay for it ; in his own words he would "rather be alive at 20 per cent than dead at the prime rate." This was all very well while the property market was booming, but by 1960 his short-term debt was put at over $100 million, 40 per cent of his total liabilities, some of it at exorbitant rates of interest ; the most complicated financial juggling and even the premature sale of some properties have not reduced it very much. He was not able to carry through his plans for a Zeckendorf Hotel in New York and to find the money for Century City he had to go into partnership with the Aluminum Corporation of America.

The price of settling his most acute difficulties seems certain to be some curtailment of the freedom and exuberance which has always been the hall-mark of Zeckendorf operations. To satisfy the Bank of England, which would not give permission for the export of British capital without some assurance of a return, dividends of 60 cents a share will have to be paid for the next three years on Second Covent Garden's shares in Zeckendorf Property. The Zeckendorf family, which once owned 52 per cent of the ordinary shares of Webb and Knapp, will be down to 39 per cent, compared with about 15 per cent for the Hill interests. And the British, who will sit on the boards of both firms as part of the deal, will try to keep Mr Zeckendorf's feet on the ground.

Students Turn Right

FROM A SPECIAL *CORRESPONDENT*



THE average American college student of today probably differs little from his predecessors in his almost studied indifference to the greater world around him and in his apathy toward political causes. But the tiny minority of students who are attracted toward political activity has been growing during the past two or three years and, what is most important, they are more dedicated and dynamic than politically-minded students have been at any time since America's entry into the war in 1941 ended the left-wing college movement of the nineteen-thirties. The sullen detachment and cynicism that dominated college life during most of the past decade is fading away. The most fascinating aspect of this modest political revival is the fact that the activity is not exclusively the property of the left but includes, for the first time, an aggressive right-wing movement.

Conservative politicians exaggerate outrageously when they speak of a mass movement of militant conservatives in the colleges. But right-wing students are, in fact, the most vigorous and the best organised in college circles today. This cannot be explained away simply as a product of the financial support of businessmen, helpful though this is, nor is it the classic rebellion of young people against their elders—in this case the generation of the New Deal. Rather it is, to a large extent, the articulation and refinement, for the first time, of the conservative views that have always dominated student thinking. College administrators generally agree that in the past the American student tended to be a conservative, a wishy-washy and silent one, to be sure, but potentially prone to the right-wing radicalism that now attracts him. The mistaken image of the student as a liberal has been perpetuated because up to now what political agitation went on in the colleges has been liberal and because liberalism has dominated the political thought of students at the most politically-conscious colleges.

At the same time the liberals are awakening from their long sleep, perhaps because they have been stirred by the activity of the right wing. Unlike the conservatives, who turn out propaganda on a wide variety of issues, the left-wing students (including an infinitesimal fraction of communists and fellow-travellers) spend most of their energies in demonstrating against racial discrimination and nuclear warfare. Both Negro rights and pacifism are somewhat suspect socially in all but the most liberal colleges and consequently the left-wing groups are not as successful as their right-wing counterparts in recruiting new members. But the quality, if not the quantity, of liberal activity is rising.

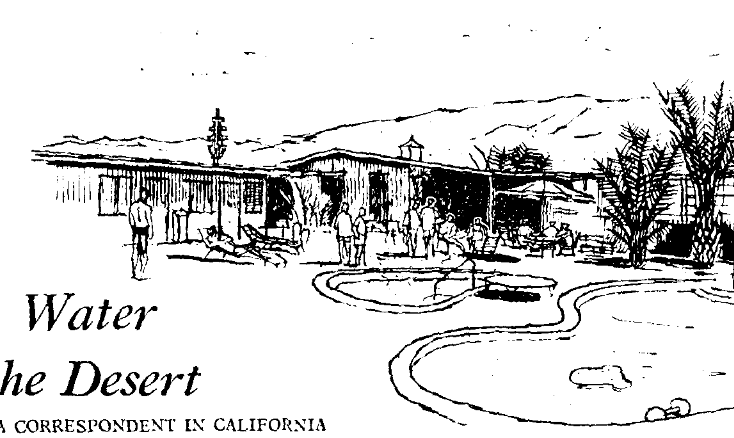
This political revival, on both the left and the right, differs from similar movements in the past in its relative independence of adult political trends. It is true that the student who stands out in right-wing politics comes almost invariably from a conservative home, but his conservatism has a distinctive quality. He is by no means the fawning admirer of his right-wing elders. As an implacable foe of domestic welfare measures and as a champion of a sabre-rattling foreign policy, he is contemptuous of businessmen as uncertain warriors against liberalism at home and communism abroad ; he sneers at the members of the reactionary John Birch Society as uncultured louts who imagine that there is a vast communist conspiracy within the federal government ; and he dismisses the conservative Republican leaders in Congress as congenital compromisers seeking merely to halt the expansion of social welfare programmes rather than trying to root them out.

The most sophisticated variety of student conservative considers himself to be guided by a consistent philosophy of "libertarianism" which in practice would end all but the most elementary government activities, including even government aids to business such as the protective tariff and federal subsidies. No practising politician can hope to meet the rigid standards set by these young doctrinaires, but Senator Goldwater of Arizona comes the closest to doing so. The real patron saint of the right-wing students is not Mr Goldwater, but someone closer to their own age: Mr William Buckley, a relatively obscure 36-year-old who edits the right-wing *National Review* and spends much of his time working with students.

The gulf between the left-wing student and his elders is even wider. Even those who call themselves socialists have little interest in the economic issues, such as the problem of unemployment and medical aid to the aged, that are of vital importance to trade union leaders and to most liberal politicians. Conversely, the student

Hot Water in the Desert

FROM A CORRESPONDENT IN CALIFORNIA



PALM SPRINGS, near Los Angeles, has been a winter resort for several decades but only recently has it attained the status of a watering place. In March, 1959, the Palm Springs Spa opened its doors on land leased from a local Indian tribe, until then the custodians of the hot springs in the centre of the town. Today, the spa is doing a thriving hydrotherapeutic business. Its architecture is ultra-modern, contrasting strongly with the Edwardian plush of spas in Europe and the eastern United States—Vichy, France, or White Sulphur Springs, Virginia, for example. The fittings are elegant, the service urbane, the amenities include an infra-red inhalation room (for the relief of sinus congestion and to relax tension) and contour "Roman" baths into which mineral water is injected by swirling jets.

Palm Springs is making a bid for recognition as an international resort. But as a place to "take the waters" in Southern California, this is a Johnny-come-lately ; others, such as Warner Springs, Rincon Springs, Murietta Hot Springs, Gilman Springs, Glen Ivy Springs, scattered about the desert behind Los Angeles and San Diego—are much older; Desert Hot Springs, adjoining Palm Springs, has a decade-long reputation as a haven for sufferers from respiratory, circulatory and other ailments. Southern California's watering places are little known and little patronised outside the state but locally they are extremely and increasingly popular. Along the San Andreas earthquake fault, between 50 and 100 miles inland from the coast, hot springs bubble up in many spots from great depths. The waters contain calcium, sulphates, carbonates and other minerals considered to be beneficial when they are either drunk or bathed in. The Indian tribes which originally inhabited the area were convinced of their therapeutic value and, more recently, the white man has exploited the springs commercially.

IN Europe, taking the waters has been traditionally an indulgence of the rich and ailing but in Southern California the practice has a less conventional appeal. It is true that Palm Springs conforms fairly closely to a latter day Baden-Baden, with its clientele of movie stars, Los Angeles socialites, sports celebrities and businessmen and their wives from all over the United States who come to winter in the bright, warm desert. The price of a mineral bath and massage is $8.50 and patrons are concerned as much with glamour and physical fitness as with the curing of ills. But other spas are set up as regular family holiday resorts.

Warner Springs centres round two large pools, into which water is channelled from nearby springs, used originally by the Indians but now reserved for white families who can afford the minimum rate of about $30 a day for two persons. The hot pool is maintained at the natural temperature of over 100 degrees ; the "cool" pool is kept at 80-90 degrees for regular swimming. Some guests come to Warner's for their health but the majority are family groups on holiday. They stay in cottages, eat in a communal dining hall, patronise the bar, lounge, games room and dance hall, and take part in such sports as golf, tennis, badminton and riding. For those on a low budget, Glen Ivy Springs supplies the answer. It is a short drive from Los Angeles and serves a Sunday dinner which is highly rated in the area ; most patrons, ranging from grandparents to teenage children, come out for the day. The former may spend their time packed into one of the two hot pools while the latter splash and dive around the thronged cool pool ; they pay between $1 and $2, according to age.

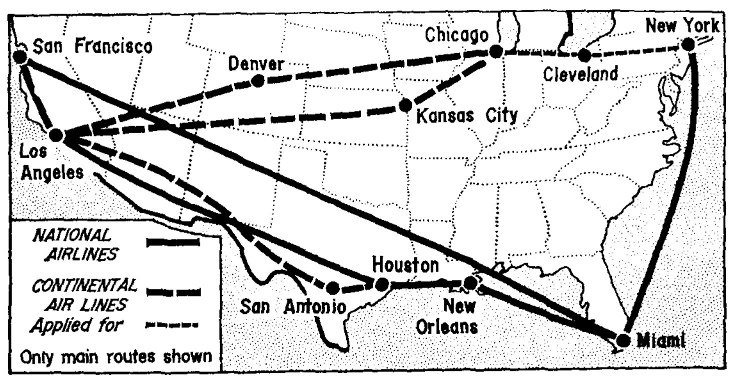
An expert, who is said to have analysed the waters of all the leading spas in both the Old and New Worlds, pronounced those at Desert Hot Springs to be the most beneficial of all. The first commercial bath house there opened in 1941, but it was not until about ten years ago that the area really developed into the nearest thing to a traditional watering place in Southern California. Today, new and more luxurious bath houses are built every year and sleeping accommodation for some 3,000 visitors is available in motor courts and cabins, which charge anywhere from $5 to $10 a day for two people. Those who stay at the smaller places patronise the public bath houses but the larger ones have a hot pool and some of them a cool pool also, fed from their own private wells. Quite a few of the places to stay are owned by people from other parts of the United States who have themselves moved to the Southern Californian desert for their health ; the dry, pure air is said to be good for asthma, hay fever, sinus congestion and similar complaints.

liberal can count on little support from adults for his own pet causes: something approaching unilateral disarmament, the abolition of the House Committee on Un-American Activities, and radical steps to hasten the breaking down of racial barriers. He feels isolated from the practical world of liberal politicians and regards President Kennedy as an incurable compromiser who broke faith with his student admirers when he sanctioned the invasion of Cuba.

The fascinating question is whether this mild outbreak of interest in politics at the colleges will have any real impact on politics in general. The left-wing students admit that there will be little place for them in adult political life unless they remodel their views drastically. But the right-wing students, with only a slight softening of their more extreme stands, could find a place on the extreme right of the Republican party. If some of the young conservative leaders carry out their present plans of seeking political power instead of financial gain after they leave college, the Republicans may soon be receiving a steady infusion of zealots who will push the party further and further to the right in the next few years.

Dearer by Air?

BETWEEN them the Civil Aeronautics Board and three of the transcontinental airlines managed to give a good many travellers a miserable Christmas. People who had bought transcontinental tickets at the experimental cheap excursion rate introduced in August found at the last minute—often only when they arrived at the airport—that the CAB had refused to extend this concession past December 15th; some of the airlines had failed to warn their patrons that they might have to find an additional \$84 or so for a return trip between New York and Los Angeles. Such a cruel muddle is not likely to be repeated, but all the signs are that most of the domestic airlines have abandoned hopes of solving their problems by tempting more people to fly by making



this cheaper. The 50 per cent discount on "youth" fares has now passed into history, commemorated by a host of anecdotes of mutton dressed as lamb, and the CAB has just turned down a request from one line to introduce a third-class service which would be cheaper than any now offered. Most of the airlines have filed requests with the CAB for higher coach fares which would bring them nearer to those for first-class.

Their justification is the \$30 million which the Air Transport Association estimates was lost by the eleven trunk lines in 1961—the largest collective loss in their history. In 1960 they made only \$1.2 million. Passenger traffic has risen hardly at all this year, compared with an increase of 4 per cent in 1960 and 15 per cent in 1959, while 57 per cent of all travellers fly coach, compared with 49 per cent last year. Costs, moreover, are rising faster than revenues. In particular, the lines had to pay \$63 million in interest on new jet aircraft and other equipment—the sum was only \$10 million in 1955—and they charged off \$200 million in depreciation. But air traffic took a sudden turn for the better in November and early December, suggesting that the temporary troubles of the industry may be over.

For the deeper-seated ones of over-capacity and excessive competition, mergers are the cure prescribed by the CAB and early this month two of the smaller trunk lines—National Airlines (which lost \$7 million in its most recent financial year) and Continental Air Lines—announced that they have agreed to join forces, subject to the consent of the CAB and of their shareholders. Their seasonal peaks in traffic complement each other and a more efficient management would almost certainly be able to make an even better thing of National's new southern transcontinental route. Not many of the expected savings would, however, come from eliminating competition; the two lines overlap only between Houston and Los Angeles. Nevertheless, the announcement has set off new hints of other consolidations: two of the biggest airlines—American and Eastern—are publicly looking each other over and Mr Howard Hughes would love to merge Northeast Airlines with Trans World Airlines, if only he could regain control of the latter. In the long run, some such consolidation of the industry may make possible more efficient service at lower prices.

Good-bye to Blow-by

BY the end of 1962 a brighter New Year will really be in sight, for all new motor cars will be fitted with a device to eliminate much of the blow-by, the fumes of unburned petrol coming from the crankcase. These constitute about 40 per cent of the hydrocarbons emitted by automobiles which pollute the air and help to cause smog. Since the end of 1960 all new cars sold in California—the capital of smog—have carried the new device, which sends blow-by fumes back into the engine to be burned. (A simpler version is also incorporated in most new British cars.) But it was only early this month that the board of directors of the Automobile Manufacturers' Association recommended that its members should install it in all their new cars and lorries. The recommendation is tantamount to acceptance by all the leading producers.

This is a victory for two Secretaries of Health, Mr Ribicoff and his predecessor Mr Flemming, and for the members of Congress who have agitated for purer air. At first the manufacturers insisted that the device was really needed only in California but this year it has been optional on all new cars, at a cost of about \$5. Four months ago Mr Ribicoff told the producers that he would press for compulsory legislation if they did not promise, by January 1st, to install blow-by control on all cars and lorries, starting late in 1963 with the 1964 models. Faced with this ultimatum the manufacturers decided to do the thing handsomely and comply a year earlier. How much the device will add to the cost of a car when it is mass-produced is uncertain, but it is likely to be less than \$5. In California the device will probably have to be installed on all cars in use within three years. So far, unfortunately, the industry has found no cheap way of eliminating fumes that do not come from the crankcase but are emitted in the exhaust; this means that even when all cars are fitted with blow-by control only 25 per cent of the nuisance will be overcome.

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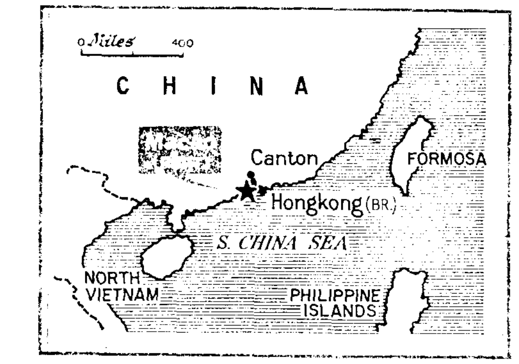
Corrections: The President of Peru is Senor Prado, not Senor Alessandri as stated on page 1136 of *The Economist* of December 16th.

In the article on page 907 of *The Economist* of December 2nd the price of natural gas in Southern California should have been given as 38 cents a *thousand* cubic feet.

THE WORLD OVERSEAS

Co-existence on the China Coast

FROM OUR CORRESPONDENT LATELY IN MACAO



MACAO, placid survival of Portuguese colonialism on the south China coast, bore up bravely under the shock of Mr Nehru's exhausted patience in distant Goa. Plainly no one in the tiny colony's curious, tough-minded Establishment gave a moment's serious thought to the possibility that Indian anti-colonial aggression might infect Communist China.

There was genuine regret in the sad spaniel eyes of the Macao gendarmes when, under orders from Lisbon, they knocked gently at five in the afternoon—not morning—on small tidy Macao homes to pick up and intern, with deep bowing apologies, fifty-odd bewildered, respected Indian residents. The unpleasant duty was performed with urbanity on both sides. Two of the internees, after all, were active members of the gendarmerie themselves. The Indians were angry only with Mr Nehru. One incensed prisoner recalled that he had previously and similarly been interned by


Portugal in China

reluctant Pakistanis some years ago because he had had the misfortune to be in Karachi during the first dispute with his motherland over Kashmir.

A nice Portuguese touch was the frank explanation by the handsome governor (Lt. Colonel Jaime Silverio Marques), beloved alike by Macao's Chinese, its Portuguese, and its Eurasians, when he begged the local press to forgive him for not allowing interviews with the huddle of internees. "They are," he pointed out with a straight face, "in a proscribed secret military area." The pressmen nodded gravely, well aware that the internees were being comfortably housed in a Catholic priests' summer holiday sanctuary, under special orders from the governor for the utmost latitude, unlimited food supplies and regular daily camp-to-school bus services for the children.

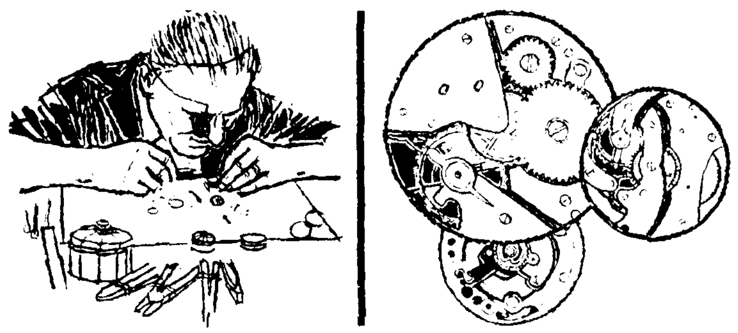
Macao reactions pointed up Peking's realistic indifference to the existence of a Portuguese enclave so near to Canton. There is a colonial garrison of a thousand Portuguese blackamoor troops—no longer drafted from Angola, but from Mozambique. The Portuguese navy's solitary sloop had departed the day before to show the flag at Timor. The communist army guards at the yellow stone gate on the narrow border yawned as usual in the shade and perused decadent coloured comics bootlegged from Macao.

The main topic of conversation among Macao's government and banking officials was the sudden death that same week of the durable Ting Hai syndicate, headed by the once all-powerful Fu family, which had monopolised Macao gambling for 24 years. A tough new Hongkong syndicate, bent on breaking also into Macao's sacrosanct gold-smuggling racket, with its world-wide connections, had outbid the Fu family for renewal of the gambling franchise for the next eight years, and had thus become a new and unpredictable influence in Macao economic and political life. It was noted that Comrade Ho Yin, ruling Gold Bar King of Macao for the past 14 years, former partner in the overthrown Fu gambling syndicate, chairman of the Macao Chamber of Commerce and party fellow-traveller in all Macao dealings with the Chinese communists, was accompanied by three bodyguards on his routine business calls. Nobody seriously supposed that this prudence was related to any fears of communist aggression.

PEKING, of course, could take Macao by merely turning off the water supply which comes from Chinese sources, or by withholding food deliveries to the 300,000 inhabitants. But the existing set-up in Macao—as in Hongkong—clearly suits the Chinese. Foreign exchange flows in through Macao banks from overseas Chinese to relatives on the other side of the border. German and Swiss business men often prefer to negotiate trade in Macao rather than in Hongkong. Faithful running dogs like Comrade Ho Yin ensure pliable obedience to party orders—as, for instance, when Peking sternly forbade the celebration of the fourth centenary of Portuguese settlement in the colony.

Macao, further, is at present bulging with more than two thousand "useless-mouth" refugees, whom the communists have allowed to cross legally into the little colony. Most are bent on finding their way illegally into crowded Hongkong (40 miles distant). These fugitives carry word not only of acute hardships and extreme malnutrition in Canton and Kwangtung province, but also of the planned decision of the communists to send no fewer than 100,000 more "useless mouths" into Macao in the next three months—presumably to lighten the pressure of food rationing in Kwangtung, and also to embarrass the sorely strained "refugee economy" of Hongkong, to which Macao remains a useful Portuguese back door.

For Whom the Clock Ticks



FROM OUR SPECIAL CORRESPONDENT

LA CHAUX-DE-FONDS

"HAVE you," Picasso once asked, "ever seen a saint wearing a watch?" Fortunately for Switzerland, saints come few and far between, and most timebound sinners the world over prize a Swiss watch above any other. Ministering to human bondage, Switzerland exports every year between 40 and 45 million watches and clocks, altogether worth well over 1,100 million francs (roughly £100 million). That is 97 per cent of the industry's total output. Even much of what stays on the home market is bought eventually by foreign tourists, who will have paid for their francs with dollars or sterling, many of them reckoning that the lifelong possession of such a duty-free bargain will amply compensate for the twinge of uneasiness when the customs officer back home looks them in the eye.

The currency derived from selling clocks and watches (mostly watches) to foreigners contributes substantially to the Swiss Federation's comfortable ways. To the 75,000 men and women engaged in one way or another in making timepieces can be credited 16 per cent of the total value of the country's various exports—a trifle more than that of the 68,000 textile workers, though less than that of the 32,000 chemical workers, who account for nearly 20 per cent. Since it has to spend relatively little on importing its raw materials, the watch industry likes to claim that in the long run it is Switzerland's chief currency earner. In fact the industry's relative contribution to the value of Swiss exports has declined since 1951 (when it was 21.5 per cent), and the expansion of Swiss watch production has been outdistanced by the increase in foreign manufactures. In consequence, the Swiss share of the world market has fallen from 70 to 50 per cent. Expecting even brisker foreign competition, the industry is now bracing itself for a new effort to maintain its traditional ascendancy. On January 1st the statute that has strictly regimented the manufacture and sale of watches and parts since 1951 is to be replaced by a new one, designed to encourage the industry to march with the times as efficiently as it marks time.

In order to avoid helping the growth of competitive industries abroad, the export of movements and parts was virtually prohibited under the old statute, and the export of watch-making machinery severely limited. Foreign competition has grown relentlessly, all the same. Protected by stiff tariffs, the clockmakers and watchmakers of west Germany, the United States, France, Japan and Britain (in that order of output) have long enjoyed the lion's share of their national markets. And now other countries are establishing their own industries, or developing existing ones. India has as good as stopped importing Swiss watches, has lately begun to turn out alarm clocks, and is fostering plans to make timepieces of several other kinds. But it is perhaps in the Soviet Union that the Swiss watch industry sees at present the most ominous development.

At the outbreak of the last world war the Soviet Union was producing merely 700,000 watches a year. Its annual production is now running at 15 million, and much of it is being exported, some to England. In Europe the Swiss watch industry believes itself threatened with a substantial loss of business through its exclusion from the common market; the new common tariff will require west Germany and Italy, two of the leading four foreign customers for Swiss watches, to raise their tariffs. Elsewhere in the world, war and political upheaval are also severely interrupting trade. In consequence of the Suez conflict, the value of Swiss watch consignments to Egypt fell from 8.8 million francs in 1956 to 1.4 million in 1957, and has stayed at roughly that figure ever since. Cuba has cut its buying of Swiss watches since 1957 from 11 million francs annually to 1.1 million. So the ghosts of 1921 sometimes still walk the gentle Jura valleys where most of the Swiss watchmakers are congregated, working either in factories or at home. That was a year when exports fell by 48 per cent to 169 million francs, and some 30,000 persons were out of work.

By a federal referendum in November the Swiss electorate—for this is an issue affecting the well-being of the whole republic—approved by 443,173 votes to 221,634 the new Watch Statute. This replaces the Statute of 1951, which restricted both entry into the industry and the expansion of existing factories. The restrictive system is to be dismantled by stages over four years, beginning on January 1, 1962. The new policy of stimulating the industry by liberalisation is to have a safety device attached to it: a system of official technical control, insisting upon a minimum standard of quality, of all timepieces and parts destined for the foreign market. Thus, through strict supervision of the quality of exports, the industry hopes to maintain the singular advantage of its established reputation for making the finest watches in the world—even when it is turning out many more than before. A second innovation with the same long-term object is the obligation imposed upon manufacturers to make "solidarity contributions" to a fund for scientific and technical research. There is still much important work to be done here, particularly in the field of electronics.

The competition which the new dispensation invites within the Swiss industry itself will spur many manufacturers into reorganising and rationalising their methods, and some of the smaller fry, perhaps, into merging with other strugglers. But although it is anticipated that the co-operative buying of materials will increase, there is no visible trend at present towards financial concentration. The price cartels will continue to operate as before.

And smuggling—that untiring tribute to the excellence of the Swiss watch? It will go on—ambitiously and modestly, ingeniously and clumsily—wherever governments inordinately discourage Swiss watches from entering their domain. The American customs reckon that anything from one million to three million Swiss watches enter the United States illegally every year. Near Loisin in Upper Savoy this month the French police discovered 10,000 undeclared Swiss watches in a car that has just crossed over from Veigy. All very reprehensible. But here in the Bernese Jura they are neither surprised nor unduly pained.

Ill-Starred Ceylon

FROM OUR CORRESPONDENT IN COLOMBO

THE state of emergency declared last April to deal with Tamil agitation in the north and east continues and is extended with routine monotony each month, although normal conditions have been restored. Although Jaffna, the northern capital, is still ruled by a military commandant and the Federal party is still proscribed, Tamil Federalist leaders now attend parliament freely and castigate the government with renewed venom. One reason for their rancour may lie in the charge recently levelled in parliament that the ruling Freedom party did not honour a gentlemen's agreement reached in March, 1960. According to the Federalist version, which the government has pooh-poohed, the Federal party helped the Freedom party on two important occasions on the understanding that the latter, once in power, would temper the present language policy by giving a "reasonable place" to Tamil, and generally assuage minority feelings. Last year the Federalists held the balance in parliament, cast their votes against the minority government of the United National party, and forced a dissolution. They claim that in the general elections that followed, Tamil votes in mainly Sinhalese areas helped the Freedom party to win nearly twenty seats from the United National party, which went to the hustings on communal slogans. The Tamil leaders plainly feel let down.

If the government lost its footing on the language issue, it appears to have recovered its balance only to be attacked on all sides by enraged trade unions. In December the monsoon rains are normally followed by a deluge of strikes; but there is more than the customary bonus fever in the present tension. Last month, when the opposition parties jointly demanded an end to the nine-months-old emergency rule, the charge was made that the real reason for the continued extension of the emergency was anxiety over growing economic unrest. If this claim was true, then discontent has proved stronger than fear of punishment under the stringent emergency laws. The island-wide bus strike was settled a fortnight ago; but, having tasted blood, the unions are now presenting a multitude of demands, described with picturesque ambiguity by one harassed civil servant as being as "thick" as autumn leaves in Vallombrosa. Dockers, railwaymen, bank clerks, oil workers, engineers, public servants and even apothecaries have all made demands. Some, like the dockers, are already on strike, others threaten strike action, and some come and go. The picture is so confusing that one enterprising newspaper has published something like a score card. But at the moment the contest seems as depressingly destined for stalemate as the test matches in India. The government has moved troops into Colombo port and is watching to see whether the unions will actually make a big push towards a general strike. Although most of the strikers' demands are parochial, some common demands are emerging. More significantly, they are assuming a political character. Demands for withdrawal of emergency rule, of the army from the port, and of the national development tax of four per cent are cases in point.

The member for Dompe

One interesting feature of the present strike situation is the degree of independence shown by the union leaders. With a show of militancy and unity which must have both impressed and disconcerted their political gurus, the workers have now resisted restraints imposed on them by the Trotskyist and Communist parties, which are still committed to a policy of "responsive co-operation" with the Freedom party. Their long term strategy of pushing Ceylon leftward, and their immediate desire to prevent any political gains by the rightist United National party, led the Marxist parties to pull their punches during the past year. The logic of events, however, has forced at least the Trotskyists into a position of increasing hostility to the government.

Conscious of emerging differences, the Trotskyists are now concentrating their fire on the finance minister, Mr Felix Dias Bandaranaike, whom they seem to suspect of being an impediment to closer liaison between the government and the Marxist Left. Their leader, Dr Perera, has even charged that Mr Bandaranaike planned the arrest of the left-wing leaders during the bus strike as a first step to a coup d'etat. The Ceylonese mind is secretly titillated at the prospect of a coup, and it is not strange now to hear epithets like "Felix Castro" and "Sawdust Ayub Khan" flung at the portly and impressive figure of Mr Bandaranaike in parliament. The finance minister himself has dismissed these accusations as figments of the imagination.

The Communists are even more perturbed by present trends. They have, admittedly, every reason to be happy with a government which follows a neutralist foreign policy and has strengthened Ceylon's relations with the Soviet block through many trade pacts. But they are disturbed by the new theory of "Dompe socialism" advanced by Mr Bandaranaike, who is the theoretician, spokesman and outstanding personality of the government. Dompe is his constituency, and his thesis is based on the assumption that the Freedom party draws its strength from the rural peasantry and should therefore be responsive primarily to peasant needs. This was certainly the informing principle of the last budget, which placed all its burdens on the middle, lower middle and urban working classes. These classes, of course, form the social base of the left-wing parties; hence the strained relations within the former triple alliance. Meanwhile Mr Dudley Senanayake, leader of the United National party, boldly sticks to his prediction that the government will collapse by February. This prophecy seems to be based as much on expectation of sharpening economic crisis as on the widely accepted astrological forecast of disasters and cataclysms at home and abroad early next year.

Though there is something decidedly ill starred about Ceylon's present state, the root cause of current tensions is the aggravation of the island's economic problems. With worsening terms of trade, successive governments have been forced to indulge in deficit financing to a point which the central bank now regards as alarming. Unable, for political reasons, to reduce the huge social service expenditure, or to curtail heavy subsidies on food, governments have kept on pumping money into the economy. This money, exhausted in extravagant consumption, has become a steady drain on Ceylon's external assets, which have now slumped to the lowest point since independence. Further, the tripod on which the island's economy rests—tea, rubber and coconut—is now shaky. The release of American stockpiles has affected rubber prices, while the soya bean has hit Ceylon's coconut industry. Prices of tea have also slumped in Middle East markets.

Opinion in the country is agreed that rapid economic development is the only way out of the impasse. This requires not only new sources of capital for investment, but other conditions as well. National unity, readiness for a long period of sacrifices, and strong administration are among the country's urgent needs. The coming year may not produce all of them, but it is likely to resolve some of the present political conflicts.

France After the Pause

FROM OUR PARIS CORRESPONDENT

SOME, though not all, of the interest displayed in French planning methods has been inspired as much by France's wages freeze of 1958-59, which contributed to the rehabilitation of the franc, as by the planning successes themselves. In fact the pay pause had nothing to do with the planning and, by the time it began to be quoted as an example abroad, it had gone with the boom. In the last two years, French wage rates have been increasing, on an average, by something over 1.8 per cent a quarter. Wages and prices stand high among the French government's preoccupations for the coming year, and the French economic authorities are now less confident that they can combine rapid expansion with price stability.

The imaginary link between the French pay pause and planning can be dismissed easily. The planning institutions, *Commissariat* and all, have been at work throughout the whole postwar period and this did not prevent France from being among the leaders in the inflationary race. Other factors which caused the pay pause of 1958-59 were due to other influences. An economic recession coincided with a change of political regime; the spring of 1958 marked the end of a boom as well as of the Fourth Republic. A recession does not usually encourage aggressiveness in the trade unions. On top of this, the trade unions were divided; and their inability to prevent a change of regime, together with a feeling of apprehension about the Fifth Republic's attitude towards trade unionism, gave them a sense of defeat. They were on the defensive. They did little to resist the cut in real wages produced by, first, the after-effects of inflation, and then the austerity measures that accompanied the devaluation of December, 1958. The main burden of the austerity which played a part in the spectacular recovery of the franc was borne by the industrial workers.

Gradually, as production picked up, the laws of the labour market started to work the opposite way. The trade union mood changed. Political apprehensions waned. The impulse to give General de Gaulle a chance to make peace in Algeria began to wear thin as time passed. As labour, and particularly skilled labour, grew scarce again, employers in the expanding sectors of private industry led the way in concessions; their profits were rising, and it suited them better to pass on a share of the increment to the workers than to accept paralysis from strikes. Managerial salaries rose even faster than wages, the wages of skilled workers rose faster than those of the unskilled, and men's wages rose faster than women's. Generally speaking, the pay pause did not survive the last quarter of 1959.

HOURLY WAGE RATES IN PRIVATE INDUSTRY

	1960				1961			
	Jan. 1,	Apr. 1,	July 1,	Oct. 1,	Jan. 1,	Apr. 1,	July 1,	Oct. 1,
Index (January 1, 1956=100) ...	137·2	139·3	141·8	144·3	147·0	149·6	152·9	155·3
Per cent increase over prev. qtr.	2·3	1·5	1·8	1·8	1·9	1·8	2·2	1·5

The impact of the pay pause, while it lasted, was considerable. The official statistics themselves (which the unions dispute) show the real weekly wages of a bachelor working in Paris as having recovered the 1957 peak only in mid-1960. Since family allowances, which are important in France, lagged behind prices, the income of a worker with four children is only now reaching its previous (admittedly, record) level. The pause was important, but it is over. Wages rose faster in 1961 than the government experts had hoped.

M. Debré, the prime minister, told industry, in a controversial letter at the beginning of 1961, that nominal wage increases must not exceed an annual rate of 4 per cent. He complained at his press conference on December 4th that the employers had not played the game. The government can directly determine the wage bill only for its own employees in the civil service (including teachers) and in the nationalised industries, particularly the public utilities. It is not new for wages in the public sector of the economy to lag behind wages in the private sector. Successive governments, under threat of strikes, have promised to close the gap. But the unions concerned complain that, far from narrowing, the gap has actually widened in the last two years. The mood in the nationalised industries is such that communist, socialist and catholic unions are acting together, a rare thing in France. French citizens, deprived of public transport and eating cold food by candlelight, are reminded from time to time of skirmishes between the state and its employees.

The last such warning strike took place on November 28th. Another was barely avoided before Christmas, the government conceding a bonus in addition to a wage increase of 2.25 per cent. But the unions are far from satisfied, and the trial of strength has been merely postponed into the new year. Wages in nationalised industries are a factor in the state budget, and there are economists who suggest that the state of public finance is sufficiently healthy to allow bigger concessions. But the ministry of finance is worried about the psychological repercussions, and about the general problem of cost inflation.

The index of wholesale prices has risen by 4.7 per cent in the last six months, and the official index of retail prices by 4.1 per cent in five months. Watching this progress, French officials seek consolation in the fact that labour costs in west Germany have been rising even faster than in France. But they see no real solution to the problem until the "baby boom" makes its impact on the labour market (which will not be before three or four years), or, alternatively, the war in Algeria is brought to an end and releases manpower for industry. The situation is not as dramatic as in 1957. The franc is strong; the gold reserves are approaching the 3,000 million dollar mark; the balance of trade remains favourable. But the French economy, less protected than in the past, can no longer afford an inflationary flight away from its problems. The French, like others, have still to find the formula to give them rapid growth with steady prices.

On the Razor's Edge

FROM OUR CORRESPONDENT IN AUSTRALIA

To seem to have a change of heart, without admitting to having been previously wrong, was the task of the Australian prime minister, Mr Menzies, last week. The election of December 9th had returned him to power with his majority in the House of Representatives reduced from 32 to two and his control of the Senate lasting only until July, when the new senators assemble. Only two out of five voters had given the government candidates their first preferences. "We are quite prepared," said Mr Menzies,

> to face the facts of the election. It is clear that we have been opposed by many people normally our supporters. They appear to have felt that our economic measures of last year were too severe; that we acted in too much detachment from those actually engaged in industry and commerce; that full weight was not given to human considerations, and that we were not sufficiently conscious of unemployment. We pleaded, and we plead, not guilty to these charges, but the verdict of the jury almost went against us. . . . We do not propose to ignore the currents of public opinion. This does not mean that we will abandon our twin policies of stability and national development. . . . But in the application of those policies modifications of method and approach should clearly be made.

Nothing is more unlike Mr Menzies than to bow, or to seem to bow, to public opinion. He is noted for the courage—his opponents call it arrogance—with which he is prepared to flout it. The government's present aim, however, is to survive the next few months. It may be true, as the federal Treasurer, Mr Harold Holt, has said, that many voted against the government's policies without wanting a change of government. But to offset them there are others who now suddenly see the Labour leader, Mr Arthur Calwell, as a near prime minister instead of as a likeable but ineffectual politician, and who will feel the well-known Australian desire to "give him a go."

Mr Calwell, once in power, would get the credit for the optimism that flows with oil and from the rise in economic activity that is due to take place anyway because of "modifications of method and approach" that have already been made under Mr Menzies.

What further modifications does the prime minister have in mind? No return of the credit squeeze is in sight. If the balance-of-payments gap were to reappear in the life of this Parliament (which it will hardly have time to do) resort would probably be

had to import restrictions. More will be done for Queensland, where the government's electoral losses were particularly heavy. But there is no talk of modifying policies to the extent of adopting Mr Calwell's proposal for a supplementary budget and heavy deficit spending.

Will there be a change in tariff policy? The prime minister says he will call a conference early in the new year at which the government will hear the views of leaders of industry and commerce. Anything that reduces the distance between Canberra and the centres of industry is to be welcomed; but if these consultations are to be of real value, the business men and industrialists must lobby less blatantly for their separate interests than is their wont. (The manufacturers' lobby calls for higher tariffs and renewed import licensing—to relieve unemployment—while that of the chambers of commerce praises the benefits of import competition—in order to keep costs down.) If the proposed conference gives the government new insight into the problems of industry, it must be hoped that it will also give business men a keener realisation that high-cost production of a lot of things that can be better produced elsewhere is not necessarily in Australia's best interest.

One hopeful portent is the inclusion of Mr Leslie Bury among the three new ministers appointed to replace three who lost their seats. In parliamentary debates on economic matters Mr Bury's contribution has always been outstanding. He is to be minister for air, but is also to assist the treasurer, Mr Holt. As for Mr Hoit himself, his chances of eventually succeeding Mr Menzies as prime minister are not improved by the election results. Eyes are again turning towards Sir Garfield Barwick, the able QC from New South Wales, who, besides the portfolio of attorney-general which he has held for three years, is now to take over from the prime minister that of external affairs. In parliament Sir Garfield's reputation has fluctuated—high with his uniform divorce law, low with his Crimes Act. On his desk now lies the very thorny problem of Indonesia and West New Guinea. If he can deal with that without loss of reputation either for himself or his precarious government he will have done well.

Three Coins in the Fountain

Nigeria, Ghana, and Tanganyika, three key African countries, have each been promised American aid in amounts that will affect their economies significantly. Tanganyika, whose primary need is to keep from going hungry, has been offered \$10 million towards its three-year plan. The givers of aid, including Britain, should not, however, wait that long to see whether Tanganyika can usefully absorb more: it is a country well worth building up.

The richest black African country, Ghana, has been set on the path towards becoming considerably richer by the promise of \$37 million, in five annual instalments, to cover one-fifth of the cost of the dam at Akosombo on the Volta river. The group of American companies building the aluminium smelter that will take electricity from the dam (and thus ensure the loan's repayment) has borrowed from the American government three-quarters of the \$128 million it will need to spend. Before the decade is out, Ghana will be producing twenty times as much electricity as it does now (and perhaps selling some of it across its borders); it will possess the world's largest man-made lake; it will be in a position to export iron, grow rice, and, perhaps, produce 10,000 tons of fish a year. With luck, the abundant electricity could attract other industries to Ghana. It is the most significant event in Ghana's—and perhaps West Africa's—history.

This is said in spite of the much larger amount—\$230 million—that has been earmarked for Nigeria. With six times as many people as Ghana, with far less wealth relatively to its size, Nigeria's 1962-67 plan (full details are expected in the new year and we hope to make a special survey of them in *The Economist* later on) is likely to deal mainly with infrastructure. The federal government and the three regional governments probably hope to invest as much as £500 million over the five years; at least half of this will have to come from outside sources. The largest dollop will be American; other smaller amounts have also been offered.

About £70 million will be spent in ten years on education—this will mean an increase in recurrent spending from about £28 million next year to £60 million in 1969-70. The projected Niger dam will cost £68 million in its first stage; Lagos harbour, roads, railways and agricultural extension services will take up much of the rest. If this money is to be useful, Nigeria will have to learn to stop importing luxuries, to cut down on corruption in high places and (a federal disease) to stop buying everything in fours. The four governments will soon have four television services—probably four too many for Nigeria—and threaten to outbid one another in other forms of prestige spending. Here it is time for the Nigerian prime minister, Sir Abubakar Tafawa Balewa, to take a lead. The American offer has given him the chance.

Holland's Road to Canossa

FROM A CORRESPONDENT IN AMSTERDAM

Few Dutchmen, a year ago, would have been heard to suggest handing over the Netherlands New Guinea to Indonesia, or even negotiating with President Sukarno at all. Today these suggestions can be, and are, made frequently in newspapers and periodicals as well as in ordinary private conversation. And it has begun to look practically certain that before long the Dutch government, and in particular the foreign minister, Mr Josef Luns, will abandon their resistance to the (conditional) handing over of New Guinea to Indonesia.

The Dutch sense of reality has caused this transformation. The fact has begun to come home that if, before long, New Guinea is made to stand on its own feet it will become an easy prey to Indonesian aspirations; after all, some 98 per cent of its small population still lives in the Stone Age. New Guinea is a financial handicap to Holland. The prospects of economic development there are far from bright, at any rate in the immediate future. Finally, the Dutch now fully realise that if it came to a fight with Indonesia they would stand hopelessly alone.

For the past two years, the Dutch have been prepared for this situation by, among others, the so-called Rijkens group. This is a group of mostly influential men headed by Dr Paul Rijkens, former chairman of Unilever NV. It has been able to get in touch with a number of leading Indonesians, including President Sukarno. At first the Dutch government silently approved the group's activities, but recently it has disavowed them. The group has nevertheless made an impression on Dutch public opinion. Professor Duynstee, of Nijmegen University, who is indirectly connected with it, maintains that prestige and sentiment ought now to be disregarded, and that there is still a last chance of entering into free and open negotiations with the Indonesians. (This would imply setting aside, at least for the time being, the right of self-determination that had been promised to the Papuans.)

There is now every reason to believe that the views of the Rijkens group and of Professor Duynstee will at long last prevail, and will guide the Dutch government along its road to Canossa. If the New Guinea problem can be got rid of, even in this rather unhandsome way and at the cost of losing some face, the news will be greeted with sighs of relief by everyone in Holland except a few diehards.

THE BUSINESS WORLD

The Aircraft Industry Complains

What, precisely, was the aircraft industry complaining about in its pre-Christmas visits to the Minister of Aviation ? Mainly, it appears, about lack of work. On the face of it, this seems incredible. The aircraft factories are now employing more than 300,000 people. It is an astonishing figure—twice as many as in 1950—and new staff has been taken on this year at the rate of approximately 1,000 a month. These figures count in some workers makings goods other than aircraft, but if they can be taken as reasonable indicators of a trend, they point to an industry that is expanding, not contracting.

The aircraft industry has substantial orders in hand, enough to keep its main factories adequately employed even if some less efficient units have to be closed, as Hawker Siddeley and the British Aircraft Corporation have recently been doing. But orders for new projects are not sufficient to keep its design offices working at the rate which they thought normal during the nineteen fifties. This is the nub of the companies' argument with Mr Thorneycroft. It is not more work for existing production lines they are seeking from him but bids for new projects, aircraft, missiles and engines, involving tough technical problems for their designers. And the Minister is refusing to oblige.

The aircraft industry's attitude pays little attention to the reasons why the Government encouraged its consolidation into five main production groups two years ago. The Government promised a measure of aid if the mergers went through. But there was no suggestion that this would be sufficient to maintain the industry at the size it was then—which was 20,000 fewer in manpower than today. The industry, however, appears to think that there was some such commitment. Since the mergers took place, some rationalising of management has been effected inside the new groups, but there has been no inclination to reduce their size, although this was the purpose of the Government's plan. Consolidation was intended to produce a smaller, more compact, technically strong aircraft industry out of a number of separate companies that the country could no longer afford. The object of adding two and two was to make three, not four.

The new groups have, indeed, been demanding a flow of work that the Government cannot possibly provide. In the foreseeable future, perhaps one in every four men that they employ will become redundant, with severe effects in the design offices. The Ministry of Aviation has repeatedly said that too many separate design teams are being maintained within the new groups. It has done so for two reasons. One is that the Government itself, which takes three-quarters of the industry's output, will order fewer different types of aircraft and missiles in the future than in the past. Secondly, "interdependence" among Nato countries ought to mean that a proportion of the arms that the Government does order are likely to have been designed outside Britain. If, for example, the Government becomes a partner with France in the vertical take-off fighter designed by the French Dassault company, parts of the aircraft would be built in British factories, but little, if any, of the design would have been prepared in British drawing offices.

This will be a new situation for the industry. Companies have known unemployment in the past, but mainly in terms of idle production lines. Now they are being warned by the Government to reduce total capacity by perhaps as much as 25 per cent, and also to reduce the ratio of designers they employ. This is the unkindest cut. Traditions and loyalties in the aviation business place the designer at its nerve centre ; to get rid of an entire design team (which is the prospect in store) is to submit to a kind of industrial leucotomy. Individual managers of aviation groups will have the distasteful task of dismissing old friends and working partners. The aircraft industry deserves much of the criticism it gets ; there are times, however, when it also deserves understanding and a measure of compassion.

There is also, as the Ministry of Aviation is aware, the risk of discouraging this industry to the point where it begins to lose heart. There may not be enough work to sustain its present size, but there are some rich plums in the offing. Two technical developments promise a steady volume of work ; one is vertical-take-off and the other is supersonic flight for civil transports. After marking time for about two years, the Government is likely to place new orders for military VTO aircraft, both fighters and transports, using both types of vertical-take-off engines developed in this country. This decision should help the prospects of Rolls-Royce, since the only firm order for vertical-take-off aircraft at present is for Hawker Siddeley's fighter powered by Bristol Siddeley's special engine. Rolls-Royce had been left for several uncomfortable months, while the Government pondered, without orders for its own competing system. Now interest on the continent seems firm enough to justify the Government in supporting the apparent indulgence of two alternative engines for vertical-take-off based on somewhat different systems. Both Rolls-Royce and Bristol Siddeley, as engine builders, will have reason to be grateful for the policy of Nato "interdependence" which is giving them Government support at home and orders from the continent.

Aircraft manufacturers may view the prospects of "interdependence" with less enthusiasm, for it is uncertain that their aircraft would be adopted by Nato forces in open competition with designs submitted by manufacturers on the continent, and especially in France. The Dassault design teams have a way with small military aircraft (fighters and bombers) flying at two and three times the speed of sound that British designers might envy, and the nationalised Sud company has made a deep impression on the usually unimpressionable Ministry of Aviation with its supersonic Caravelle. A joint Anglo-French attack on that most difficult project, a saleable, flyable supersonic airliner, seems increasingly probable.

It is a proposition that needs the closest examination, and Mr Thorneycroft would be doing a service if he spelled out the commitment that is in prospect before any agreement is signed. It is not an undertaking of a commercial kind that could safely be left to agreement behind closed doors. It will require five to ten times the kind of public money earmarked for the Cunard's unlamented Q3. The taxpayer may be so relieved to discover that this cost is going to be shared with the French that he might forget to ask whether what the French are doing and what the British now propose to support is sensible and worth the investment.

Apart from these technical ventures, the *volte face* that has taken place in the services' attitude to air supply has produced a minor flood of orders for transport aircraft, from helicopters to the capacious whale-like Belfast able to fly half across the world. A smaller army and fewer overseas bases have made Transport Command the fastest growing branch of the services. These transport orders are specially useful

EMPLOYMENT IN THE AIRCRAFT INDUSTRY

*1950 mid-year		149,400
*1955 ,,		243,400
1959 ,,		283,600
1960 ,,		284,300
	December	292,500
1961, June		298,800
	September	303,100

* Old classification.

since they usually, though not invariably, require aircraft that are relatively cheap and uncomplicated to develop by comparison, say, with a complex military aircraft such as the British Aircraft Corporation's TRS 2 light bomber; this latter project now seems more likely to be cancelled than completed.

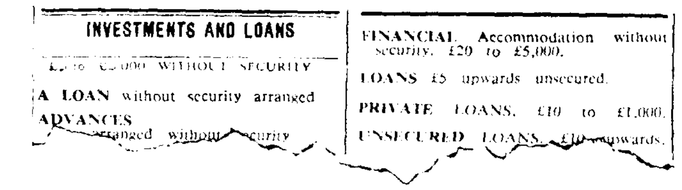
If the TRS 2 were cancelled, the British Aircraft Corporation would be conspicuously short of work for the future. Its factories are busy enough now, but its drawing offices have little to engage them beyond the BAC 111 jet. The company is competing hard for new military transport orders, and would benefit from any supersonic airliner project undertaken in this country. But it is also assiduously searching for other kinds of work by signing agreements with French and American companies to build their aircraft, or parts of them, in Britain should these foreign designs be ordered by the RAF. Hawker Siddeley is rather better placed than BAC, since its work is spread more widely over a longer term, from Blue Streak to vertical take-off and from freighters to the Trident airliner (expected to make its first flight any day). The Westland company, specialising in helicopters, is almost wholly dependent on military orders but can rely on these coming in fairly steadily. Yet it must have been a blow to the company's civil prospects when British European Airways chose (though it has not so far been allowed to buy) an American-designed helicopter for civil operations.

The process of convincing the aircraft groups that they must reduce their capacity is slow and hard, and periodically the Ministry takes a step that suggests to the new groups in the industry that they are its favourite sons. Its treatment of that individualist and pioneer, Sir Frederick Handley Page, is having just such an effect. Sir Frederick stayed outside the mergers because neither Hawker Siddeley nor BAC would offer a price that he deemed fair to his shareholders. It was never the Government's intention to prevent companies outside the new groups from building aircraft, provided that they did not ask for Government aid, and Handley Page has built the Herald, a small, rugged airliner in the DC 3 class, out of its own resources. The RAF wants to buy 45 Heralds to fill a requirement of Transport Command for this type of machine.

The Ministry of Aviation has, so far, held up this order because it does not want an outsider expanding when the Government is insisting that the big groups should cut down. It would surely be officious to attempt to deprive an independent company of work simply because its success would put the department's own protégés in a pet. Naturally Hawker Siddeley and BAC would be provoked if Handley Page were to get a Government order while they went empty handed (the RAF's second choice would be the smaller Caribou built in Canada by Hawker Siddeley's subsidiary, de Havilland, Canada). But it is notable that neither of them values the order so highly as to buy out Handley Page.

Sir Frederick might argue bitterly that if he had asked for Government aid to develop the Herald in the first place, he would probably have got his order weeks ago. But this should not be regarded as an isolated incident. What, again, happens if in the future the RAF were to decide that Transport Command needs some small, cheap executive aircraft like those built by Mr Peter Masefield's Beagle company? Will it be prevented from ordering these too because Mr Masefield has developed them without Government aid? It is Mr Thorneycroft's misfortune to give the appearance of conducting a vendetta against private enterprise in the air, to eliminate competition wherever it appears, whether on the North Atlantic by Cunard Eagle or among the aircraft factories in the Handley Page group. It is hardly surprising that the big groups, the establishment of the aircraft industry, believe that by pressing long enough and hard enough they will get all the work and the Government support that they want. And so believing, refuse to rationalise.

£5 to £5,000 without Security



Perched precariously on the edge of Britain's capital market today remains the poor man's traditional lender of last resort—the no nonsense moneylender. Unlike the pawnbroker, he has managed to survive national prosperity and the welfare state. His business is small in relation to that of the City proper or the banks, but for many individuals he is still the only source of quick credit. There are something like six hundred registered moneylending offices in Britain, nearly all of them run by exempt private companies or partnerships not obliged to publish accounts. The only guide to the magnitude of the business is provided by three of London's largest moneylenders, which are public companies. At the end of 1960 they had advances outstanding in the region of £270,000 and their issued capital totalled £120,000. The issued capital of most other London moneylending companies rarely exceeds £5,000 and is often no more than £100—operations being financed from the directors' pockets, mortgages, and occasionally from bank loans. On the assumption that on average each office may have advances of £10,000 outstanding, which is probably a generous guess, the total loans outstanding from all Britain's six hundred moneylenders would be around £6 million. But the true figure could be half, or double that: to set it in perspective, one may compare advances to personal and professional borrowers by members of the British Bankers' Association, which totalled £664 million in November.

Moneylenders themselves like to think that their business is increasing as the habit of taking credit extends. In fact, the introduction of personal loans by the banks and the growth in hire purchase must have cut into moneylenders' outlets, while full employment and the welfare state since the war have removed some of the contingencies that once provided the moneylender's bread and butter—the incidence of income tax before the days of pay-as-you-earn, sickness before the National Health Service, and holidays before people generally had holidays with pay. The few indicators that are available suggest that the volume of this kind of lending may have stayed at about the same level over the past ten years. There were 294 registered moneylenders in London in 1950 and 269 in 1954. There are now 262. In 1950 outstanding advances of the three public London companies were only £10,000 lower than their present £270,000.

Moneylenders are controlled by the Moneylenders Acts of 1900 and 1927. These acts were designed to end abuses like the moneylender's tout and the practice of lending a shilling for a penny interest a week—that is, around 400 per cent a year. The back-street Shylock, who functions outside the acts, still exists: and of the 262 registered moneylenders in London only about 60 appear to have regular business premises. But if the abuses that produced the acts have become much less prominent, that is attributable more to the rise in incomes and the welfare state than to the acts themselves. Unknowing people suddenly hard pressed for cash can still be persuaded to pay through the nose.

The first major obligation under these acts is that every moneylender must have an annually renewed excise licence, price £15, for each address at which he carries on business, and he must satisfy the court of petty sessions that he is of good character and has not previously committed any offence under the acts. Once open for licensed business the moneylender is obliged to be very careful how he goes about attracting custom. He must not send out circulars inviting business. He may not employ agents to seek out likely borrowers. Any printed advertising that he uses may state no more than his name, address and telephone number, whether he lends money with or without security, and the highest and lowest sums he is prepared to lend. Hence the cryptic advertisement: "£5 to £5,000 without security."

The acts set no direct limit on the rate of interest that a moneylender may charge, but they do specify that if the interest charge is greater than 48 per cent, the moneylender must show, in any proceedings in respect of money lent, why the court should not consider the rate "excessive" and the contract "harsh and unconscionable." A good many moneylenders charge rates well in excess of 48 per cent; it is this, rather than any fear of "throwing good money after bad," that probably explains why many of them are reluctant to take defaulters before the county court—for a judge, if he thinks fit, may re-open all previous contracts with that defaulter and re-adjust the rate of interest in the light of the evidence. Unhappily, few of the moneylender's clients are aware of these provisions in the act of 1927 and moneylenders are not obliged to draw their attention to them. The moneylender is however obliged to state his interest charge as a percentage of the diminishing balance and not merely as the much smaller percentage of the initial balance. Thus the true rate of 48 per cent on £100 borrowed for one year implies an actual interest repayment not of £48 but of around £29. It is small wonder that moneylenders prefer to relegate this "true" rate to a discreet footnote, quoting their charges as specific amounts in pounds, shillings and pence.

Moneylending may be a lucrative occupation, but it is a lonely one; for most of the moneylenders rarely meet their own kind socially. Professionally, however, it is possible to distinguish two groups: those who charge all borrowers the same rate, and those who, in theory at least, vary their rates according to the risk involved. In London, moneylenders in and around the City of London generally adhere to a fixed rate, which is mostly in the region of 33 to 45 per cent. Moneylenders in the West End and around St. James's range their charges considerably higher. In a recent court case a Mayfair moneylender was charging a man of "considerable substance" rates of 60 and 64 per cent, and in one instance, where the loan had been repaid before the due date, 185 per cent. The printed memorandum of contract obtained from another West End moneylender offered a loan of £100 for a year at an effective 77 per cent. These are onerous terms and, unlike the interest on the banks' personal loans, they are not softened by income tax relief.

Moneylenders are quick to argue that their rates are not exorbitant: as they see it, the moneylender retails money and is therefore entitled to a retailer's mark-up on his stock. His real burden, however, is the heavy incidence of bad debts. Plainly a substantial part of the interest taken by a moneylender goes to wiping out the debts of his defaulters. Among the "City" firms, bad debts seem to vary from about 8 to 12 per cent, while those of the West End companies often go as high as 30 per cent, but are more usually in the range of 15 to 25 per cent.

This difference in bad debt experience is a reflection of the different ways that these two groups do business. The "City" moneylender likes to limit his operations to salaried staff. His lower rates tend to attract the better business—and they allow pursuit of defaulters into the county court. He will often take security in the form of bills of sale, sureties, life policies, or second mortgages (on an unmortgaged property finance can normally be raised at much less onerous terms from building societies or through solicitors). The City lender will place particular importance on assessing the client's character at the loan interview. Behind the scenes the moneylender is likely to call E. W. Perry, business agents who keep a record of moneylenders' customers, to confirm that his applicant is not in default to another moneylender; he may also get on to one of the City credit agencies for a credit assessment of the applicant from his local community. The West End moneylender, on the other hand, is often precluded from effective court action against a defaulter by the height of his interest charges; and to keep his funds fully employed he must lend to a wide range of customers, from the wage-earner to the destitute bookmaker, and make a high proportion of always risky postal loans (where there can be no question of a loan interview).

Logically the only possible reason for paying the rates that a moneylender charges is financial desperation—a debt that must be paid, expenditure that cannot be delayed and nowhere else to get the money from. Yet it is clear that borrowing from moneylenders is not limited to these circumstances. A large part of moneylending business comes from old customers—one "City" company puts its own figure as high as 80 to 90 per cent—many of whom turn up regularly to consolidate their debts without ever realising that they are reducing the ultimate purchasing power of this money by anything from 20 to 50 per cent or more. There are in fact a surprising number of people who, in terms of spending, are willing to discount the future well into the double figures of the interest rate.

Moneylenders in Britain would naturally like their business to develop on the American pattern in which advertising has a free rein, and companies are nation-wide and have stock exchange quotations, but at the moment there are two large obstacles. In Britain advertising is strictly controlled and, just as important, is the fact that in Britain, when a borrower climbs the moneylender's stairs, he abandons middle-class respectability.

BUSINESS NOTES

ICI-COURTAULDS

Waiting Period

Beyond saying that they are consulting their financial advisers, Baring Brothers, the directors of Courtaulds have not, so far, made their views known about ICI's bid of three of its ordinary shares for every four in Courtaulds. Because of the time needed to prepare the documents, the formal offer by ICI is some weeks away but presumably the Courtaulds directors, though they may well feel that they are being bustled into a decision, will have to say whether they recommend acceptance or not before then. But after months of discussion, they could hardly reject the offer and the stock market, having chased an improbable counter-bid from Du Pont for a few hours, is now appraising the two shares on the assumption that the bid will go through as it stands. Indeed, Courtaulds was being bought after Christmas as a cheap way into ICI and prices were adjusted accordingly, so that at the close on Thursday, Courtaulds stood at 39s. 7½d., compared with 39s. 9d. immediately before Christmas, and ICI at 55s. 9d., compared with 56s. 10½d. These dealings took place in a thin industrial market, where prices were kept firm by the stimulus provided by American purchases of Unilever and where speculators were coursing another hare in the shape of a revived rumour that Cunard would become linked with another shipping group.

Naturally the Opposition last week put down questions about monopolistic tendencies in British industry arising from the proposed ICI-Courtaulds link-up. Answering them, Mr Erroll, the President of the Board of Trade, again made it clear that the Monopolies Commission had no power to investigate a monopoly in prospect but only one in being:

> Should the merger, if it takes place, give rise to conditions in which I considered that there were grounds for referring to the Commission the supply of any of the goods affected, I would, of course, do so.

But, in general, Mr Erroll treated the possibilities of monopoly arising from this merger with apparent equanimity.

OVERSEAS TRADE

Exports Pause

European countries took most of the increase in Britain's exports this year. The first eleven months should give a fair impression of the whole year; they show an increase of 15 per cent in exports to Western Europe and a jump of a third in exports to Russia and Eastern Europe. Exports as a whole rose by 4 per cent; their relatively disappointing growth reflected a standstill in trade with the rest of the sterling area and a drop of 8 per cent in exports to North America. Between May-August and September-November, however, exports to western Europe grew by only 1½ per cent, most of the improvement being in exports to EFTA countries. A sharp recovery in exports to the United States was virtually wiped out by a fall in shipments to Canada. Exports to the sterling area fell, but if exports of ships are excluded, it seems that the decline in exports to sterling countries other than New Zealand has been checked. Nevertheless, between the two periods, seasonally adjusted, exports declined by 1½ per cent.

Imports in September-November were 1½ per cent higher than in the five months April-August. By taking a comparison with the previous five months rather than May-August (to eliminate the effects of the dock strike earlier this year) the rise looks slightly more ominous than that suggested by the preliminary trade figures for November. Over the year, imports are 3 per cent lower than in 1960, mostly explained by lower imports of industrial materials. These were still falling, but only slightly, in September-November, though food, beverages and tobacco rose. Imports of finished manufactures also rose by 3 per cent in this period, but the rise was due mainly to ships worth £6 million from west Germany and the Netherlands. Over the year, imports of finished manufactures rose by 8 per cent.

Planned Expansion

Within the self-imposed limits of the Board of Trade—that trade between Britain and Japan should balance and not "disrupt" the business of manufacturers in this country—the agreement signed at the end of last week was fairly ambitious. Trade should reach about £40 million in each direction this year; the new agreement might lift it to £50 million in 1962—approximately one per cent of Britain's total imports. It took four months to negotiate this liberalisation. An earlier agreement expired in March, was extended until September and was then succeeded by an "interim" arrangement to the same effect while discussions continued. The new agreement picks up the loose ends since it runs for the year to September next.

This "annual" negotiation of Anglo-Japanese trade is unlikely to be repeated. A full commercial treaty will probably be signed before, or soon after, the expiry of the current agreement. This would give Japan the coveted "most favoured nation" status and remove the stigma of having its exports to this country restricted under article 35 of Gatt. It seems that Britain is ready to extend its trade with the "quota" countries—Asian and iron curtain—at the same time as it lowers tariff barriers to other exporters. Quotas for imports from Czechoslovakia next year have been raised by a sixth. Apart from an increase in imports of chemicals, machine tools and shoes, licences to import £180,000 worth of cameras and photographic equipment will be granted, compared with permitted imports of £55,000 this year. Following the sale of Viscounts to China, it is also rumoured that an expansion in trade quotas with China is likely.

Both the Czech and Japanese agreements reveal liberalisation of photographic equipment and stringent limitation of imports of rubber footwear, reduced in Czechoslovakia's case from £100,000 to £35,000. Small quotas have been granted to Japan for the first time for cigarette lighters, cutlery, glassware, and cheap watches. A token import of £150,000 of wool yarns and piece goods, unrequited by assurances that allegedly unfair practices by Japanese exporters will stop, has upset the wool textile industry here. But wool textiles are Britain's largest export to Japan, and import controls on these goods into Japan have been eased or removed. The largest category of Japanese manufactures entering this country is cotton textiles. The quotas for cottons and goods made from man-made fibres retained in this country have been increased, and permitted imports of cotton and rayon cloth for further processing in this country before re-export have been raised from £3 million to £4½ million. Among imports that Japan has freed from control are tooth paste and boot polish, an apparently small concession which manufacturers of these products in this country whose exports have stagnated this year might nevertheless be able to turn to account. Larger quotas are to be granted for motors, tractors and bicycles; the global quota for imports of motors for private buyers has been trebled to £2 million.

More Competition from Japan

The changes in the Anglo-Japanese trade agreement that will affect British manufacturers most are the freeing of imports of cameras, vehicles and plastics; bigger quotas for that modern Japanese speciality, the transistor radio; and the new quotas introduced for transistor television sets. Japanese cameras are likely to be the import most noticeable to the middle-class consumer; the old quota of £375,000 a year was fully sold, and freedom may allow imports to be trebled. This would give the Japanese roughly a quarter of camera imports—and most of the new sales would be taken from the Germans, though the Americans might lose some sales of cine-cameras. The Japanese cameras are not significantly cheaper than others, but especially in cine cameras they have certain features not found on other cameras of the same price. Most of the increase in sales is likely to be in the middle price bracket, around £45 for still cameras; few selling for under £25 are expected.

So far as vehicles are concerned, the main Japanese export effort lies in scooters and mopeds; Honda is the only maker to have tried selling in Britain on any scale. The depressed state of the British market is unlikely to encourage ambitious efforts, though British makers are apprehensive of anything that might add to their difficulties—and therefore ready to protest vehemently. Cars are something in which the Japanese are as yet less well equipped to compete with western countries, though they are improving fast; in a few years more this industry may be a significant export competitor.

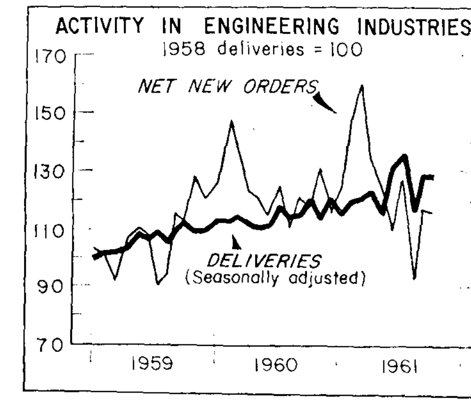
Free imports of plastics may put more pressure on prices in the British market. Japan is able to make polyvinyl chloride more cheaply than most countries, for chlorine—one of its most important raw materials—is cheap there. Despite import duty and freight costs, it might well be sold in Britain at a competitive price. And the rapid expansion of the Japanese plastics and petro-chemical industry, which has already outstripped the limits of discretion in some instances—a new SBR synthetic rubber plant has had to be closed for lack of sales—may well make Japan an aggressive marketer. One must hope that the British industry will be able to restrain its inclination to howl about dumping if a foreign maker sells at the same price as they do—which seems to be the gravamen of its complaint about American imports.

THE ECONOMY

Slow Decline

In October the slow decline in industrial production continued, though strikes at Rootes and the Steel Company of Wales may have contributed to making the index of industrial production two points lower for the month instead of one. Output at other steelworks was low, and there appears to have been some slight decline from the high rate of engineering output achieved in September.

Recent figures on private capital investment suggest that this expenditure, perhaps the largest single element of demand upon engineering, was holding up relatively well. Engineering exports fell more between the second and third quarters this year than in 1960, though the booking of orders for abroad remained brisk. Demand for the consumer durable industries was further depressed—intentionally. In the third quarter, however, motor vehicle output, which makes big calls upon intermediate engineering, compared better with 1960 output than it had in the previous quarter.



Order books in engineering, in total, are coming down gradually, though orders in hand for export were up slightly at the end of October. Deliveries of engineering products have risen since the peak level of orders in hand was reached in May this year; and net new orders have recently come down. Delivery dates, however, remain a problem for certain of the makers of specialised capital goods—though Britain is now no worse off in this regard than certain of its Continental competitors.

MOTORS

More Cars, More Bricks

Car output in November was nearly 2,000 a week higher than it had been in October, reaching a rate of 20,783 a

Continued on page 1305

Kuwait's Holdings Abroad

Iraqi threats towards Kuwait, which this week caused British forces in the Middle East again to be alerted, arise from coveting the land of one of the richest neighbours in the world. Kuwait's oil wealth is fabulous. Fables are current, too, about its foreign investments.

GUESSES have often been aired internationally, in the past, about the amount of the overseas investment holdings of the state of Kuwait. It has seemed clear that this tiny, oil-rich state at the head of the Arabian Gulf, where government revenues from oil have mounted from a beginning of £3 million in 1948 to £170 million for 1960, was not spending all these foreign exchange earnings. How large its accumulated balances are, where they are held and whether they could suddenly be switched, are obviously questions of importance for sterling, the currency in which Kuwait's earnings primarily accrue. Last week, at the same time that it was officially announced that the country was setting up a Kuwait Fund for the Economic Development of the Arab Countries, an official of the Kuwait government told *The Economist* more about these overseas investments than has ever been published—though not quite all.

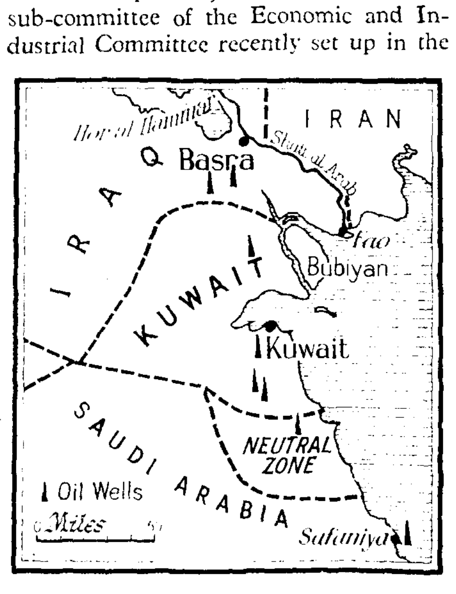
Kuwait's overseas holdings today total about £240 million, which is about a third less than has often been guessed for its sterling balances alone. They are held in Britain, the United States, Japan, Norway, Switzerland, Germany, Egypt, the Lebanon, and Jordan. The Kuwait government is not prepared to disclose exactly how much is in sterling, but it is "a big part." These foreign holdings range widely between loans, gilt-edged and equities.

An investment committee of the Kuwait Ministry of Finance controls the disposition of these overseas holdings; the London advisory committee which deals with Kuwait's holdings in sterling handles the details of policies laid down in Kuwait, and all holdings outside Britain are controlled directly. This year, about 10 per cent of Kuwait's foreign exchange earnings will be invested. The amounts thus put aside were low in the early years, when oil revenues were lower and Kuwait was creating the infrastructure of a modern state out of what had been an insignificant port of the Arabian Gulf. In the middle fifties they were larger; oil revenues grew more rapidly than expenditure, which for a time was deliberately curtailed.

In the last few years, again, expenditure swollen by certain major projects has come closer to catching up income, and the state had smaller amounts over to invest abroad; but from this year onward the amounts saved may be mounting again. Kuwait's overseas holdings are often misleadingly referred to as the personal foreign investments of the Ruler of Kuwait, H.H. Shaikh Abdullah al Salim al Sabah; in fact, they are foreign assets of the state.

DURING the last few years, as could have been surmised, the investment committee in Kuwait has been placing growing proportions of its accruing balances of annual income over expenditure of foreign exchange in countries other than Britain. This, rather than large-scale switching of balances already held in sterling, is gradually shifting the spread of the holdings. Switching there has been; but mainly switching to Kuwait, as the state has been establishing new internal companies in the fields of oil, banking, other finance, and petrochemicals.

Kuwait regards itself as "associated with" the sterling area, rather than within it. It has never had the least question raised over its spending for current imports: the Bank of England has always made the foreign exchange required available. For the switching of actual blocks of balances into investments elsewhere, it has to follow the rules applicable to members of the sterling area—but it assumes that consent would not be unreasonably withheld. In circumstances where the standing of sterling might be in jeopardy—and Kuwait's sterling holdings along with it—it assumes that the British authorities would not object to its protecting its own interests, unless Britain cared to give it a gold guarantee. It maintains large holdings in sterling, the official insisted, in Kuwait's interests, as a matter of commercial comparison; not in Britain's. One sub-committee of the Economic and Industrial Committee recently set up in the



finance ministry will be studying the question of membership of the sterling area—the advantages, disadvantages, and whether it seems worth Kuwait's while.

These overseas investments are at present bringing the state an income of about £12 million a year: the government looks on this overseas income, and income from development of secondary industries in Kuwait, as perhaps more dependable for the long run than revenue from oil. But in spreading its investments, it gives priority to investment in the Arab countries. It is already a magnet of employment for Arabs of other nationalities—the £4-6 million a year sent home by Jordanians working in Kuwait, for example, must be a large element in Jordan's national income—and it did offer £5 million for a "Finance Fund for the Economic Development of the Arab Countries," which was organised by the Arab League but has not come into being.

ITS own new fund for development seems to be of a quite different order to that earlier fund, or to the long-mooted "Bustani Plan" for devoting 5 per cent of Middle East oil revenues to development in the Arab countries. The Kuwait fund will be allocated sums from the national budget to cover its own budgeting over five-year periods. A mission from Kuwait has already visited seven Arab countries (not including Iraq) and gathered summaries of 60 possible development projects. It will have a staff of experts of its own, drawing upon the experience of the World Bank. It will make loans, giving preference to projects in which international institutions offer a recommendation or guarantee, or which the governments concerned can guarantee; its criteria will be commercial.

This fund will be set up mainly with government money; but it may seek to attract private Kuwaiti capital either by issuing its own loans or recommending loans for specific projects to its local investors. These dispose of substantial investment funds; apart from participations, usually on a 50-50 basis with the State, in local Kuwaiti companies, private capitalists in the country are said to have invested in Arab countries up to £100 million in real estate, plus a small assortment of other investments outside. The new fund, to be financed with public and private money, seems likely to work on a fairly large scale, and has some promising projects already lined up for expert scrutiny. Its lending budget over five years might reach up to £50 million. Many grandiose ideas for co-operative development within the Arab countries have been put up in the past; but none has got this far. Kuwait is one of the most modest and practically philanthropic of the Arab countries; it also has a habit of doing what it says.

Continued from page 1303

week; but the year's production is likely to be under a million for the first time since 1957. Perhaps half the increase in output during November came from Rootes's resumed production as its long strike drew to an end. An increase in BMC's output to around 13,000 vehicles a week when it was able to settle down to making its new models accounted for rather more than half of the remaining rise, with Ford making up the rest. Vauxhall made as many cars as it had done in October, having reached the limit of what it can make on a single shift—it starts a night shift in January—and Standard-Triumph continued at much the same rate as in October too. December seems likely to show little change on November; Rootes has been working up its output, reaching normal again in the week before Christmas, and this should balance the cuts that other makers have made—BMC's on the Morris Minor, for example.

The most cheering feature of November was that home sales were the same as they had been in October, though one expects them to fall between these two months. In December sales may, however, be more than 10 per cent lower than they were last year. If they rise sharply in the new year—as they did in 1961—the optimists in the trade will find their high stocks justified; if they do not, and stay on the level trend, unaffected by seasonal factors, that they adopted in September, further cuts in production may be necessary. Makers have shown an unexpected ability to avoid short-time working so far this winter, despite lower sales at home than last year; fewer workers is one reason, strikes another—which gave some of Rootes's business to other makers—and some increases in exports a third.

November was disappointing in this respect; despite higher shipments to most European markets and the United States, the total was lower than it had been a year ago—Canada took 6,000 fewer cars. The efforts that some British companies are making to raise their sales in Europe by charging the sort of price that would be economic if Britain had entered the common market—Fords in France, for example—explains why Mr Edelman's suggestion that Renault had been dumping cars in Britain has passed in a stony silence from the industry. Just about every car that is exported is dumped in the sense of being sold for less than its home market price; British firms are selling cars in France for over £100 below the home price. Mr Edelman could hardly have chosen a more embarrassing brick to drop.

CHRISTMAS SPENDING

Not Much Cheer

ONE cannot easily recall a postwar Christmas which the shops and stores have not proclaimed as their best ever; their omission to do so this year, and to fall back instead on modest comments such as "satisfactory" or "not as bad as we'd feared" suggests that the check to personal spending has not been broken by the Christmas spirit. This is suggested also by another tentative indicator, the note circulation. The issue of notes by the Bank of England rose by only £158 million between its end-October low point and its Christmas peak last Wednesday; the rise in the comparative period of 1960 was £170 million.

Withdrawals from "National" savings, it is true, have been notably higher than they were a year ago, but this has been true for many months, and is almost certainly a reflection of the switch to other more rewarding forms of savings rather than a fall in personal savings as a whole. Between the beginning of the fiscal year on April 1st and mid-December, net savings through savings certificates, defence bonds, premium bonds and the savings banks rose by only £28 million. This compares with £152 million in the same period of 1960 and £208 million in 1959, when savings certificates and defence bonds were yielding as much as they do now while rival media were yielding notably less. It is significant that the only sectors of National savings to show an improvement on the year are the post office and trustee savings banks, which are less affected by interest rate considerations.

THE EXCHANGES

Sterling Recovers

END-YEAR window dressing has continued to be the predominant influence in the exchange markets, but in the past week it has no longer worked against sterling: the earlier international shortage of dollars has given way to a temporary shortage of sterling. The tide changed at the end of last week and on Wednesday after the holiday sterling was in considerable demand. The rate rose by 3/16 to $2.80 13/16, and the rise was apparently checked by the intake of a good quantity of dollars by the exchange control. No doubt it is glad to strengthen the December gold showing, which bears the burden of the end-year loan repayments to the United States and Canada. On Thursday sterling came on offer from New York, but business was small.

Money has been tight in all centres as banks and corporations dress up their balance sheets. Up to 7 per cent has been paid in Continental centres for loans in sterling over the turn of the year; this market in "Euro-sterling" is far smaller than that in Euro-dollars, and caters mainly for overseas concerns that lack the requisite "name" for direct borrowing in London, and also for straight overdrafts to non-residents, which are still forbidden in London. The United States dollar has been fairly steady over the past week. The Canadian dollar has remained at a discount of just over 4 cents, unaffected so far by rumours of the impending dismissal of the finance minister, Mr Fleming. Belgian francs eased slightly on Wednesday following the cut in Bank rate from 4¾ to 4½ per cent—although this was smaller than had been expected.

The outflow of funds from Germany, which reached nearly 4 billion marks (one billion dollars) between mid-July and mid-November, now seems to have gone into reverse. For the week to December 15th the Bundesbank reported the third successive weekly rise in its reserves, to a total of DM 700 million. One special reinforcement for Germany's reserves in recent weeks has come from Britain's repayment of marks to the International Monetary Fund. But it now seems clear that market transactions have also turned in Germany's favour: United States investors, for example, are again buying German securities.

AIRPORTS

London Out of the Red

LONDON AIRPORT came within a whisker of breaking even last year, which would have seemed impossible a short while ago. It had a turnover in 1960-61 of £6 million which left it after payment of interest with a net loss of £80,401. This is tiny in comparison with a net loss of more than £1 million in the previous year. International airlines are immediately going to ask why, with results as good as these, it was necessary for the Ministry of Aviation to increase landing charges by a third in April, making London one of the most expensive airports in the world. The Ministry's reply will almost certainly be to point to the continuing deficits at the two other international airports, Gatwick and Prestwick. These three must be considered together, and when it hands them over to the control of the promised new airport authority, the Ministry intends to hand them over as going concerns without a subsidy.

Gatwick, which is properly an extension of London's Heathrow, is losing a steady £1 million a year. Such a relatively small volume of traffic goes through it that the airport's revenue of £422,000 is not even sufficient to meet its day-to-day running expenses of about £1 million, and the refusal of BEA and Air France to operate any more flights to the Continent from Gatwick illustrates the difficulty of attracting airlines down to Sussex, in spite of the rail link with Victoria. But the airlines would be the first to complain if they were not provided with an airport close to London for bad weather diversions, and Gatwick sagging under four jet-loads of passengers is said to be a sight worth seeing.

Prestwick's accounts are in a healthier

state ; its deficit last year was halved from £435,000 to £232,000, with income in rough balance with operating expenses, but inadequate to meet capital charges. Taking the three international airports together, they showed a net loss of £1.4 million at the old rate of landing charges (£181 for a big jet, less for smaller aircraft). Had the new scale of charges (£240 for a big jet) been in force during 1960-61, instead of coming into operation in April, the three international airports would still have shown a loss, but it would have been one of about £150,000. With more flights in and out of the country during the current year, these three airports as a group are probably paying their way now.

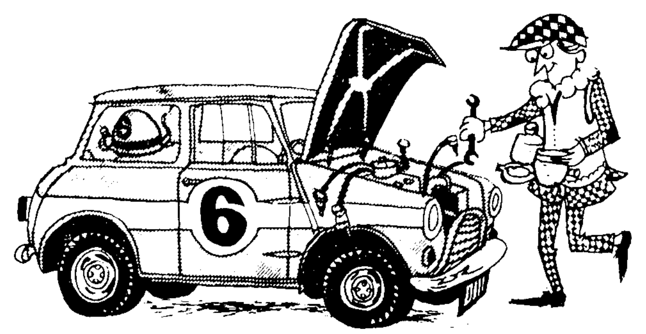
Losing Money in the Provinces

AIRPORTS in the provinces lost between them more than London, Gatwick and Prestwick together. They had a deficit of nearly £2 million last year, very little less than in the previous year despite the fact that the Ministry sold or closed four airports that had lost £700,000 in 1959-60. The day-to-day running expenses of 13 airports from Belfast to Land's End were $2\frac{1}{4}$ times greater than their receipts and the Ministry intends either to sell these to local authorities or, with one or two exceptions, to close them. By now it has either closed or sold Blackbushe, Croydon, Birmingham, Liverpool and Blackpool. The sale of Blackpool, on which the Ministry lost £124,000 last year, has just been completed after protracted negotiations ; and as some of the smallest remaining airports are losing nearly three times as much as Blackpool, local authorities are understandably hesitant to become responsible for them. Southend and Luton show that local airports can be run either at a profit or at a modest charge to the rates, but some other municipalities are finding it as hard to break even as the Ministry.

If it succeeds in disposing of ten of the remaining 12 provincial airports that it still owns, the Ministry of Aviation will then retain only the so-called "social service" airports, two serving the Scilly Isles and eight in the Scottish Islands. Between them, these ten tiny airports lose £636,000 a year ; they will continue to be subsidised by the Treasury but will be managed in the future by an agent employed by the Ministry of Aviation. But the Ministry will still remain responsible, under the new arrangements, for air traffic control across the country which is costing £3 million a year and could in time and with new developments run as high as £7 million a year. The Ministry has announced that it intends to levy its own charges on the airlines to cover these *en route* services that it provides for them. This is likely to provoke protests compared with which this year's outcry over the higher landing charges will sound like a whisper.

TUNING CARS

Keeping Ahead



MAKING popular cars go faster is a growing business today ; the International Racing Car Show, which opens in London on Saturday is largely devoted to this activity. Owning a Mini-Minor that can out-accelerate a Super Snipe seems to offer a special attraction to enthusiastic drivers. Enough of them want to enjoy this experience for the larger firms in this line of business, such as Alexander, Downton and Speedwell, to be selling several thousand "tuning kits" each a year. These kits typically comprise a modified cylinder head—which is exchanged for the standard unit—new inlet and exhaust manifolds, usually with two carburettors instead of one, and stronger valve springs so far as the engine is concerned, with fade-resisting brake linings and perhaps stiffer spring dampers or anti-roll bars for the chassis. Buying and fitting a kit like this for a small car will cost around £60, and it will give about a 50 per cent increase in power ; more ambitious conversions, which may double the power of the standard engine, will cost up to £200.

The Austin and Morris Coopers are one sign that manufacturers think that this is a big enough market to be worth their exploiting ; and the demand for these cars, which seems to have left the British Motor Corporation rather overwhelmed, shows how many more people want them than it thought. Ford and Standard-Triumph International are catering for this market, too, by offering their own tuning kits for the Anglia and Herald 1200. Ford provides only the carburettor, inlet manifold and camshaft for the Classic, for £23 this kit will give an extra 5 bhp ; S-TI's kit is the traditional type, with two carburettors, and costs £39 10s.—plus the fitting charge of perhaps £15—for 17 bhp more.

All this rival activity from the manufacturers might, one would expect, mean that the tuning specialists would find their business declining. But the reverse seems to be the case. By making special cylinder heads, of the kind that Speedwell has just introduced, they can offer more power. Many buyers of the Cooper twins want to make them even faster, which the tuning specialists are happy to do: one of their latest creations is the 100 mph Mini. Downton's version, recently tested by *The Autocar*, did 103 mph and showed acceleration comparable to that of a 3.4 litre Jaguar up to 70 mph. Demand for cars like this is as embarrassing as that for the standard version ; Alexander has had to stop taking orders for its kit on the Coopers. The appeal of the tuning kit seems to be in part that of the custom-built—or rather modified—car, as well as that of extra performance.

Two problems could check the growth of the tuning business: buyers might get worried about invalidating the maker's guarantee, and insurance companies might get fussier about the effects of making a car go faster on its liability to have accidents. So far the insurers seem unworried by this possibility, which may mean that statistics show no increase in the accident rate. But some insurance companies are, rather inconsistently, demanding higher premiums for the BMC Cooper twins—a penalty, perhaps, of using a racing car's name. The guarantee problem may hold back some buyers ; but Rootes and S-TI both approve of the Alexander conversions to their cars, so the guarantee is not invalidated. And Alexander, with some other firms, guarantees to replace any part that the maker will not.

FAIREY

Preparing to Fight?

AFTER Westland Aircraft bought Fairey's aircraft interests in this country for about £3 million in shares and cash in April, 1960, Fairey retained some interest in the aircraft industries in Australia, Canada and Belgium. But its principal efforts were directed towards the building-up of an engineering group in this country, and it must seem a little odd to the shareholders in all the companies concerned that Westland Aircraft and Bristol Aeroplane (which has a 10 per cent interest in Westland) should now make a bid for Fairey. In their joint bid, Westland and Bristol each offer two of their ordinaries for every three Fairey ordinary shares ; with Westland at 16s. 3d. and Bristol at 15s. 6d. the imputed value is 21s. 3d. for each Fairey ordinary share, compared with 17s. 9d. immediately before the bid and 14s. 9d. two days previously.

The gain in market values is obvious. So, too, is the prospective gain in income, for Fairey shareholders are effectively offered 13 per cent, compared with a $7\frac{1}{2}$ per cent dividend for the year to March 31, 1961. This was not a happy year for Fairey: losses were incurred by the Belgian aircraft subsidiary and by Aeroplastics ; a big provision had to be made against losses on nuclear power contracts ; trading profits were more than halved ; and the dividend was cut from 20 to 7½ per cent. Its shares, which touched a peak of 40s. 6d. in 1960 fell to 10s. 7½d. after the 1960-61 results were published. The market price and imputed bid price are both well below the net asset value attributable to Fairey shares ; as a result of the cash received in the earlier deal with Westland, this amounted to 33s. per share at the end of March, of which net liquid assets accounted for 6s. This is one card that the Fairey directors could play in urging shareholders to reject the bid. So far they have not made their views known ; but there have been hints that they are prepared to fight. To succeed they will have to offer something more tangible than break-up value—a higher dividend backed by stronger earnings, for example. Some improvement in profits has already been forecast and the sorry showing in 1960-61 can hardly reflect the full earning potential of the group's assets.

The arithmetic of promises will be important ; but, in addition, Fairey shareholders, who already have an interest in the helicopter industry through the Westland shares distributed to them in the earlier deal, will have to consider whether they want a broader and more direct stake in aircraft. Do Westland and Bristol simply want Fairey as an investment, or does Westland see this as an opportunity for expanding into the Nato, Canadian and Australasian helicopter markets? Westland, too, could add the Siebe Gorman diving equipment business to its Normalair subsidiary. Clearly, if Westland and Bristol gain control they will have to think hard about the way they will manage Fairey's diverse businesses. Their plans on this score have a bearing on the decision that Fairey shareholders will have to take. The latter have to ask themselves whether they are satisfied with the group in its present form and under its present management or whether their interests would be better served by the piecemeal sale of its assets rather than the outright sale of the whole undertaking.

OIL MARKETING

Strings on the Solus System

Oil companies will no longer be able to impose restrictions upon the sale, advertising or display of lubricating oils at service stations in Eire that they supply with gasoline (as distinct from the stations they own themselves) under a new draft order published by Eire's Ministry of Industry and Commerce last week. This is the main change that will be brought about in the marketing of petroleum products in Eire as a result of the inquiry held in 1959 by the Eire Fair Trade Commission ; but there are also some changes in the " solus system " of exclusive dealing in branded gasoline. In rather sharp contrast to the way these things are done in Whitehall, the Irish government published the report of the commission, and a draft order incorporating its recommendations, on the same day.

The commission accepted the oil companies' argument that the solus system, under which a dealer is supplied with gasoline on condition that he does not stock competing brands, had brought about some economies in distribution for wholesalers: costs rose, but probably less than they would have done without rationalisation of distribution and higher throughput. But it held also that the direct and indirect stimulation of investment in service stations, which was reintroduced during the fifties, " had an adverse effect when facilities increased to the point where the average throughput per outlet showed a marked decline." It recommended a number of changes in the system:

Advance payments of rebates or loans at less than commercial rates to stations newly accepting exclusive contracts should be discontinued.

Distributors proposing to build or buy stations or garage forecourts should notify the Fair Trade Commission in advance.

Exclusive dealing contracts must not be for longer than five years (some had been made for as long as 20 years).

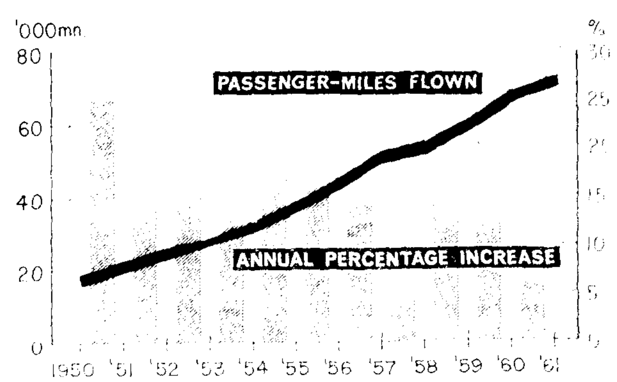
All these recommendations among others are incorporated in the Ministry's order.

Curb on Price Consultation

The commission noted that between 1951 and 1958, while the landed cost of motor spirit (based on Western hemisphere prices plus freights) had remained about the same, the companies' margin on motor spirit had risen by twopence a gallon, changing their Irish financial fortunes from " a loss on motor spirit operations " in 1951 to " exceptionally favourable " results in 1958. During the same period dealers' margins on gasoline went up about 1½d. a gallon, but the average annual throughput fell significantly. Dealers' annual income from sales rose much less than their costs must have done, between 1951 and 1958. As to the actual level of prices, the commission found these almost too complex to judge. It noted that in 1960, by eliminating a price differential between the Dublin area and other parts of the country the companies did make an effective reduction equivalent to two-thirds of a penny a gallon for most parts of Eire. But it could not rule out the possibility " that at an earlier date lower wholesale prices might have been achieved if one or more of the major companies had placed greater emphasis on price competition."

The major companies, it reported, had in fact been notifying each other in advance of any price change, and not making the change until all agreed to follow suit. In tendering for sales to large commercial consumers they had used a common list of standard rebates and hence quoted identical prices. The commission noted the companies' arguments that competition in gasoline does " naturally " tend to bring about common prices between established suppliers, but did not offer a view on these. It simply concluded that " the present system of price competition between the petrol companies on price changes is a form of price regulation and a restraint on free competition in pricing "; that the use of a common schedule of rebates " unreasonably limits free and fair competition " ; and that both should be prohibited. The order—which will have to be confirmed by the Dail—would so prohibit them.

Air Traffic in 1961



The idea of a slump in air traffic this year is scotched by estimates prepared by the International Civil Aviation Organisation of scheduled flights in all countries outside Russia and China. The volume of work, best measured by combining the number of passengers with the distance they flew showed a steady rise, but—and here the airlines miscalculated—not so steep a one as in the past two years. Since the end of the war they have become geared to an annual rate of growth that has only twice before fallen below 12 per cent a year, once in the late 1940s and again three years ago. Sir William Hildred, director-general of the International Air Transport Association, reports that " the tempo of growth is picking up again " and passenger traffic should, in his view, grow by 9 or 10 per cent in 1962.

BANK PROFITS

Hire Purchase Impact

The approach of the bank dividend season has been marred by more bad news from the banks' hire purchase affiliates, which they bought so confidently in 1958. Mercantile Credit's reduced profits and dividend must have disappointed both the Westminster and Martins. Perhaps the worst news of all comes from Forward Trust, whose parent, the Midland, has had to dig into its pocket for £1.3 million to make good the deficiency in its subsidiary's accounts. The table shows the hire purchase interests of each bank.

In 1960, in terms of dividends received, Lloyds had the biggest stake in hire purchase, which provided 17 per cent of its disclosed profits. This year Lloyds' hire purchase income has been halved. All the banks except Barclays and the National Provincial have taken a cut in hire purchase income in 1961; North Central Finance, the wholly owned subsidiary of the National Provincial, has been in fact the only big hire purchase company to show increased profits this year. United Dominions Trust, in which Barclays has a 25 per cent interest, maintained its rate of dividend but paid it on a larger capital ; its net profits fell by £500,000 to £1,116,000 in the year to June 30th. Martins and Westminster will be spared the effect of Mercantile Credit's setback in their 1961 accounts, since the lower dividend is not paid until January. The chairman of Mercantile, Sir Mark Turner, discloses that the company's troubles are not at an end. Even assuming that Mercantile manages to maintain its interim dividend next year, these two banks will each suffer a drop in hire purchase income from £93,000 to £56,000 in 1962.

HIRE PURCHASE PROFIT AND LOSS

Bank	Hire purchase interest Company	Holding %	Banks' HP dividends 1960 £'000	Banks' HP dividends 1961 £'000	Banks' disclosed profits 1960 £'000
Barclays	United Dominions Trust	25	175	244	5,452
Lloyds	Bowmaker	25	187	132	4,606
	Lloyds and Scottish	50	597	183	
Midland	Forward Trust	100	Nil	*Dr1,300**	4,501
N. Provincial	North Central Finance	100	268	268	3,566
Westminster	Mercantile Credit	20	98	93†	3,413
District	Astley Industrial Trust	33⅓	65	56	1,082
Martins	Mercantile Credit	20	98	93†	1,420

* Subvention payment by the Midland Bank to cover bad and doubtful debts. † Latest dividend payable January, 1962.

The worst hit, however, seems to be the Midland Bank. In August, 1958, the bank decided to buy the then small Forward Trust and to develop it, rather than take a shareholding interest in a larger nation-wide company. Growth in the company's business has been spectacular—in the two years to October 31st, 1961, hire purchase balances outstanding have increased from £13 million to £49 million. But net profits have moved sharply the other way. After the first eighteen months they were £357,000, last year there was a loss of £30,000, and this year the Midland has had to contribute £1.3 million towards bad and doubtful debts. Finance for the hire purchase company's operations now comes entirely from public deposits, which in the last year increased by £24 million to £47 million. The Midland seems to have withdrawn its ordinary banking support, since Forward Trust's bank advances have fallen from £5 million to nothing.

MACHINE TOOLS

The Age of the Population

Properly to comprehend a census which declares that 59 per cent of the machine tools in use in Britain are over ten years old, one would have to start with some rationally-derived notion of what proportion of them reasonably ought to be: and it is doubtful whether anyone in the country could put up a defensible figure. This is in no sense to write down the census that has been carried out over the past twelve months and is published this week by *Metalworking Production*, McGraw Hill's machine tool and engineering weekly, as a result of one of the recommendations of the Mitchell Committee on the machine tool industry in 1960 ; but merely to note that its findings, in total, are not easy to interpret. In detail, the figures have obvious usefulness. A company in any of 19 metalworking industrial groups that finds its assemblage of machine tools in general or in particular cases more senile than those of the average that this census shows for its group would be well advised to find out why, and soon ; and it gives them figures broken down into 169 different types of machine.

One can do little more with the undifferentiated national totals than compare them with the size and age pattern of the machine tool " populations " of other countries. In 1958 the United States had about 2,900,000 machine tools in its factories, of which 62 per cent were at least ten years old, though a much smaller proportion of these than of Britain's 1,234,000 machines were over 20 years old. In Western Germany, which has probably slightly more machine tools in use than Britain has, about 55 per cent are 10 years old or older ; in France and Italy, too, the proportion of old machines is probably slightly lower than in Britain. In Russia—which is said to have nearly 2½ million machine tools in use, coming second to the United States—it has been suggested that less than half of the metal-cutting machines may be " over-age " by this criterion and the Russians have officially declared an intention of making 60 per cent of them " under ten " by 1965. Its metal-forming machines, however, are old by comparison with the West.

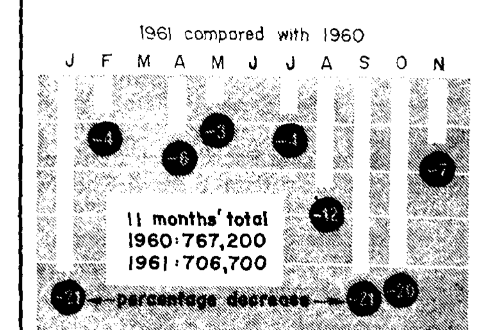
One can think of dozens of reasons why the age pattern of machinery in use in different countries might reasonably vary. On the other hand, these are engineering nations with which Britain does need, currently, to compete in exporting. And the relative obsolescence of the machinery in operation in different countries—admitting that the degree of obsolescence involved in being ten years old will vary widely as between different kinds of machine—must be a factor of significance in competitive capacity.

How Industries Compare

Machine tool manufacturers will be able to draw heavily upon the many factual aspects of this census in selling their wares and even, no doubt, in arguing with the government for giving business further incentives to modernise its equipment. They will however have to become resigned to a *tu quoque*: for the metalworking machine tool industry itself does not rank particularly well in the " order of modernity " of different industries' equipment.

In this machining order, the makers of industrial engines, a little surprisingly, come first ; only 41 per cent of their machines are over ten years old and only 11 per cent more than 20 years old. Aircraft manufacturing, which gets pretty considerable government assistance in the purchase of tools for

NEW CAR REGISTRATIONS



Registrations of new cars have remained virtually static throughout the autumn—47,000 in September and 43,000 in October and November—though they usually rise between September and October, and fall again in November. Last year they went on falling throughout the year until December as the backlog of orders disappeared under the effects of the hire purchase restrictions ; this year there was little backlog, so the effects of the government's restrictive measures was felt sooner—but they do not seem to be cumulative.

extremes of up-to-date precision, comes high, as one would expect. So do "other electric goods," "domestic electrical appliances" and "scientific and surgical instruments" which resemble one another at least in having had a rapid increase in capacity of recent years. Motor vehicle manufacturing has 57 per cent of its machines ten years old or more, which is not much better than the average; and the machine tool industry itself has 63 per cent of its machines 10 years old or more and indeed nearly 30 per cent of them 20 years old or more.

Here again the comparisons are hard to judge, since they may arise from the rate of expansion in recent years, and the original size of the industry, more than from anything else. Throughout the survey, again, one is dealing with numbers of machine tools, regardless of capacity. In that any more modern machine, even of a given size, tends to be more productive, and that in many industries the proportion of big machines of high capacities is increasing, the proportion of any factory's productive capacity that is relatively modern will tend to be greater than the proportion of its total number of machines would suggest. However, it would be unsafe to assume that these factors favour Britain, or any given industry, much more than other countries or industries. The full McGraw Hill survey offers a huge assembly of data upon which more detailed analysis—and continuing surveys—need to be built; it has been a prerequisite of the broader market survey for machine tools upon which the organisation is now embarked. But its main immediate service should be to promote disquiet—not panic—about Britain's competitive circumstances in engineering, and discussion of what more can be done to improve this.

DIRECTORSHIPS

Pegging the Board

A slightly overweight, middle-aged man, hardworking and with a tendency to be routine-bound; such is the unglamorous portrait of the average director. The Institute of Directors, which has published the results of a sample survey* of its members, stresses that the expense-account tycoon whose life is made up of business lunches and board meetings is a relative rarity. Typically, a director holds only one directorship (like 54 per cent of those who answered the questionnaire) and has an expense account lunch "less than twice a week." Only 17 per cent attend more than three boardrooms, a mere 9 per cent spending more than a quarter of their time there. The few so-called "professional directors" surveyed were mostly chairmen and financial experts—and were far less common than "professional managers."

The discovery that the biggest group of directors were between 45 and 54 years old and that 26 per cent of the men were under 35 is not perhaps as surprising as the report seems to think, especially as younger directors were more prominent in the small and medium sized firms (defined as those with an issued capital of under £1 million). It would have been far more interesting to know, in total and by size of firm, what parts family connections, individual enterprise, and promotion from the ranks played respectively in the attainment of boardroom status. The institute did ask such questions in the separate survey that it carried out among a small group of women members, mostly working directors. The results showed for instance that in medium-sized companies women directors owe their positions about equally to family connections and promotion; in smaller businesses, both marriage and association with the start of an enterprise play more important parts. Perhaps the institute considers a woman on the board a rare phenomenon whose presence needs explaining: but similar questions put to male members might have yielded answers of even greater social and economic interest. One also wishes it had been possible to find out something about directors' salaries and individual stakes in their companies.

Academic qualifications are of small relevance in the boardroom at present. Only 14 per cent of male directors—and still only 16 per cent of those under forty-four—had university degrees, engineering being far and away the most common subject. The postwar arts graduate has yet to make his mark in business leadership. The report rightly finds the "most disconcerting" revelation to be the lack of time spent by these key men on their own, thinking things out. Often a reluctance to delegate routine matters appears to shield a deeper reluctance to face broader issues. Too many chores, too short holidays, too little relaxation; the average director, poor man, is an average hack like the rest of us.

* Who's On the Board. 42 pp. Published by the Institute of Directors, price 3s.

SHORTER NOTES

Some changes have been made in the duties of the Leyland board. Mr F. B. Dixon, the only survivor of the old Standard-Triumph board, resigns as deputy managing director of that subsidiary, becoming chairman of Standard-Triumph (Liverpool). Mr Stanley Monkland, managing director of S-TI, will now devote almost all his time to this company; and his duties as works director of Leyland will be taken over by Sir Henry Spurrier.

★

The World Bank has made a loan equivalent to $19.5 million to the Indian Iron and Steel Company to assist in financing plans to increase coal production. The loan is for twelve years at 5¾ per cent per annum and it brings the bank's loans to India to a total of $799 million.

★

Of the placing of £5 million of the Watney Mann 6½ per cent redeemable debenture 1987-90 £1 million of the stock will be made available to the market at 97 to yield £6 14s. 9d. to the final redemption date. Dealings are expected to start next Wednesday.

★

The interim dividend of Fine Spinners and Doublers has been maintained at 5 per cent. The directors say this payment was fully earned in the half year's trading to end September but that present conditions and prospects are less satisfactory. They point particularly to the deterioration in trade in this country as a result of imports of a large volume of yarn and cloth from the Asian Commonwealth countries.

COMPANY AFFAIRS
Comments on page 1314 on:
Arthur Guinness
Lancashire Steel
Lancashire Cotton

LONDON AND NEW YORK
Stock prices, yields and security indices on pages 1316 and 1317

LONDON STOCK EXCHANGE
The week's movements reported on page 1314

MONEY AND EXCHANGES
Money market report, exchange rates and public finance on page 1315

ARTHUR GUINNESS Son & Co. Ltd

Lord Iveagh on a notable trading achievement

The Annual General Meeting of Arthur Guinness Son & Company Ltd. will be held on January 16th, 1962 at Park Royal Brewery, London, N.W.10.

The following are the salient features of the circulated Review of the Chairman, The Earl of Iveagh, K.G., C.B., C.M.G.

Total Sales of Guinness have this year been the greatest in our history, but owing to considerable increases in our costs our profits this year are slightly lower.

Dividend: The Directors recommend a final dividend on the Ordinary capital of 14%, making a total distribution of 22% for the year ended 30th September 1961.

Capital Expenditure: Altogether in 1961 we have spent just short of £6 millions, mostly on modernisation and re-equipment of the Breweries. With our existing and anticipated commitments we may well spend as much on capital account in the current year as in 1961.

Exports: Our export sales have been nearly doubled in the past five years and have now reached an annual value of over £5 millions free of duty.

Harp Lager: Three major brewing groups (Courage Barclay & Simonds, Scottish & Newcastle Breweries, and Bass, Mitchells & Butlers) are our partners in the Harp Lager venture in Great Britain, and Harp is now available over the whole of the United Kingdom as well as the Republic of Ireland. It is being brewed under centralised technical control in three lager breweries and work is proceeding on the new brewery at Alton which will come into production in 1963. That Brewery will be owned by Guinness, Courage Barclay & Simonds, and Bass, Mitchells & Butlers. Harp is a true lager with a fine flavour and the welcome it has received justifies the high hopes we have formed.

Joint Activities in Ireland: Irish Ale Breweries, in which we have a two-thirds interest and Ind Coope one-third, is now producing and marketing a number of ales in Ireland, including 'Double Diamond' and 'Phoenix'. In conjunction with Showerings of Shepton Mallet, Irish Ale Breweries has purchased Bulmers of Clonmel and arrangements have been made to continue the manufacture and marketing in the Republic of the Bulmer range of ciders and perry and to manufacture 'Babycham'.

Nuttall Group: Sales and profits show a satisfactory increase over last year. In June we bought from J. Lyons & Company the main part of the Rolls Confectionery business: sales to date are encouraging.

Exports of the Group, which includes William Nuttall, Callard & Bowser, Riley's and Lavells, are expanding, particularly in the United States and Canada. Since we acquired the Group it has grown considerably both on the manufacturing and retail sides and turnover has increased in both sides by well over 500%.

Crookes Laboratories: Last year I referred to our entry into the field of manufacture of pharmaceutical and veterinary products by our acquisition of The Crookes Laboratories jointly with Messrs. Philips of Eindhoven. Since we acquired the Company, Crookes have devoted much attention to future plans including exports and I am sure that our 60% holding in this Company will be a profitable investment.

After reviewing other activities of the Group Lord Iveagh concluded: This year, as I have said, we have achieved a record in selling more Guinness than ever before. Though much of my statement has been concerned with reports of new ventures, the Board will never forget that the mainstay of our great company is the production and sale of Guinness Stout.

HANDLEY PAGE LTD.

The annual general meeting of Handley Page Ltd., was held on December 21st in London. The following are extracts from the circulated review by **Sir Frederick Handley Page.**

Our company has been successful in maintaining a high level of utilisation of its facilities. It has also diversified its interests in commercial activities within the scope of its design and constructional skills.

It has continued with its production of Victor bombers for the RAF. Still the world's largest military aircraft to have exceeded the speed of sound, they comprise an important part of Bomber Command's deterrent power.

We are fortunate in having an outstanding civil aeroplane, the Herald, when military demand has greatly slackened. There can be no doubt of this aircraft's fine quality. In a series of six see-it-in-action tours, two demonstrator Heralds have flown over 225,000 miles to more than 60 countries and have carried 15,850 passengers. Never, in tempest or flood, have they failed to prove themselves to be the most suitable aeroplanes for operation on the world's smart inter-city or rugged back-of-beyond air routes.

The HP 115 research aircraft—with the world's slenderest delta wing—made its successful maiden flight recently. This is the planform which is expected to be the most likely for future supersonic airliners. Research has been concerned also with cheap-to-operate laminar flow transports which can bring air travel within the orbit of the multitude.

Our trading surplus increased from £572,782 in 1959 to £1,051,369 in the year under review and the net profit before tax has increased to £253,363 from £159,917 in 1959.

J. BROCKHOUSE & CO.

The sixty-fourth annual general meeting of J. Brockhouse & Company Limited was held on December 21st at West Bromwich, **Mr J. L. Brockhouse, MA** (Chairman and Managing Director), presiding.

The following is an extract from the circulated statement:

On the occasion of the Seventy-fifth Anniversary of the Company I am able to report a record trading profit.

In 1936, fifty years after the establishment of the Company, the paid up capital and reserve funds amounted to £641,750, and the profit before taxation of £7,103 was £79,402. The comparable figures today are—Capital and Reserves £7,622,296, Profit before Taxation £1,297,390, Taxation being £641,225.

The Company is now in a stronger position than at any time during its history, and we can reasonably expect further improvements in its profitability and steady expansion during the next few years.

At the present time we do a certain amount of export of semi-finished goods, particularly on the Continent of Europe, and I am quite sure we can do more. We would therefore welcome the opportunity offered by membership of the Common Market.

We are still continuing to spend substantial sums on capital equipment, but we are able to finance these commitments out of our own resources, and we are now beginning to enjoy the benefits of this policy in an increasing measure.

The Report and Accounts were adopted.

THE PLESSEY COMPANY LIMITED

The 37th Annual General Meeting of The Plessey Company Limited was held on 28th December at Winchester House, Old Broad Street, London, E.C.2. The following is the statement of the Chairman, **Sir Allen Clark.**

CONTINUED EXPANSION • RECORD EXPORT YEAR STRONG FORWARD POSITION

Since the end of the financial year the merger with Automatic Telephone & Electric Co. Ltd. and Ericssons Telephones Ltd. has been effected, so that there has been a material change in our position since the date to which the Accounts were taken. However, I think it will be helpful to you if I begin my Review by dealing first with the year to 30th June, 1961, and then proceed to consider the merger and our prospects in future years.

The Consolidated Profit of the Company for the year was £4,049,794 in comparison with £4,300,884 for the year to 30th June, 1960. The fall in Profit was due to the effect of the credit squeeze which resulted in considerable dislocation of the Domestic Appliance and Television industries. Had it not been for this dislocation we would have made a Profit during the year considerably in excess of that for the preceding year. However, we must expect recessions from time to time, in one or other of the Industries in which we are concerned, and it is our endeavour whenever possible to balance our interests in these industries so that any recession in one of them is likely to be counter-balanced by increased activity in another.

During the year under review the Garrard Engineering & Manufacturing Co. Ltd. was acquired and is now a wholly owned subsidiary of our Company. Garrard should prove a profitable addition to our Group in future years, and it may interest you to know that since the acquisition, orders have been secured from the United States for over $2,000,000 worth of gramophone equipment—this apart from substantial Export orders secured from other parts of the world. The integration of Garrard into our Company structure has been accomplished speedily and smoothly and I am well satisfied with the progress which is being made.

Record Year in Export Field

Mention must be made of Plessey International Limited whose turnover was the highest in that Company's history.

We commenced the year by holding an overseas agents' convention to which we invited some fifty of our agents and overseas representatives. All our factories were visited and details of new products and developments were explained by our technicians.

We have greatly expanded our design development and tooling activity aimed specifically at the export market, and we can confidently look forward to valuable export orders down the years as a direct result of this policy.

In the European Common Market area we have been particularly active, and during the year our office in the Netherlands has been moved to The Hague and trebled in size. This is now staffed by a team of specialist engineers who can give advice and assistance to our customers in their own factories anywhere in Europe, at short notice.

Substantial Increase in Productive Capacity

In our efforts to improve efficiency we often need to extend or to make considerable structural alterations to our factories, and in order to gain greater freedom in this direction we acquired the freehold of factories which we previously rented at Havant and Towcester. We also acquired the Romford factory of Regentone Products Ltd., which is now being completely re-equipped for the production of aircraft electrical equipment.

We have built an engineering laboratory at Eastern Avenue, Romford, which has been equipped for the testing and development of aircraft electrical generating systems. The facilities provided are adequate not only for the testing of systems now in production, but will also be adequate for dealing with any equipment in this field likely to be developed during the next decade.

In addition to the extensions to which I have referred above we have purchased a 67-acre site at Titchfield in Hampshire which was formerly occupied by the R.A.F. and the production of electronic components there has already commenced. As a result of all these moves the Company's productive floor space was substantially increased during the year.

Contribution to Computer Development

The part the Company is playing in the development of computers is an interesting example of the breadth of activity that has been achieved and the manner in which we like to operate. Materials and components which we have developed in one part of the organisation are being incorporated into a highly efficient range of memory systems—the very heart of a computer—developed in another part of the organisation and we anticipate that these memory systems together with many other of our products will be used by a large cross section of computer manufacturers. One of our systems is believed to be the fastest operating memory system of its size in the world.

Thus, although we do not ourselves make a complete computer, and because in consequence we do not compete with our own customers, we are still able to obtain an important share of the work involved in the overall building of computers in this country and overseas.

In these days of credit restriction, and bearing in mind our determination to expand our business aggressively, but only of course on sound foundations and in well reasoned directions, it is satisfactory to be able to report to you that the financial position of the Company is in good shape. At 30th June we held approximately £15,700,000 in cash and readily realisable investments, so that we are possessed of funds adequate to carry through the developments and extensions which we have envisaged.

Largest Unit in the Communications Industry

Since our last Annual General Meeting the most important change has undoubtedly been the merger between The Plessey Company, Automatic Telephone and Electric Company and Ericssons Telephones. Exploratory conversations and lengthy discussions having convinced all three companies of the benefits of amalgamating their businesses, agreement on terms was reached in August last. As you all know the merger has now been completed successfully. As a consequence, I am indeed pleased to say that Sir Harold Wernher, the Chairman of Ericssons and Mr. Alastair Roger, the Chairman of Automatic Telephone have joined the Plessey Board, and we look forward to many years of fruitful and successful co-operation. This merger is not reflected in the accounts now submitted to you since it was completed after the close of our financial year.

As a result of this merger the amalgamated companies are now the largest single unit in the communications industry in this country, and although size is not in itself everything, it is of very great advantage indeed in an organisation which must necessarily engage in a great deal of overseas business, and must necessarily operate on a fairly large scale if it is to be efficient.

It seemed to us all that as separate companies we were duplicating and sometimes triplicating effort and expense that could be co-ordinated and turned to better advantage if our businesses were combined. Although time and a great deal of hard work will be required before co-ordination results in the full benefits we anticipate, we are satisfied

that ultimately profitability will be considerably enhanced, and will prove to be worth the substantial and sustained effort that will be necessary.

Another very important aspect of the merger is concerned with overseas production. You will have noted in recent years that The Plessey Company has been gradually building up its production capacity beyond these shores. This is a costly and difficult business and there can be no doubt that the enlarged Group is now in a much improved position to develop rapidly this trend. Your Company's great strength in the past has been its ability to produce efficiently and it is quite clear that in the years ahead we want to be as capable of doing this overseas as we are in Britain.

I would like to take this opportunity of mentioning that it has been the practice of Plessey in the past to charge against the Profits of each year the whole of the expenditure on Research and Development incurred during that year, whereas the practice of Automatic Telephone has been to strike a Profit before charging certain Research expenditure and to deal with such items "below the line" as an allocation of profit, by way of a transfer to a Reserve against which expenditure incurred was charged. During the last three years expenditure greatly exceeded the amount transferred to Reserve. I think it as well to mention this point now, since in future we shall be charging Research expenditure incurred by Automatic Telephone directly against the Profits of the year in which it is incurred, and it will be necessary to remember this in comparing the Profits shown in our later Consolidated Accounts with the separate results of the respective Companies before the merger.

Substantial Order Book

Turning to the current year all three Companies are busy, and hold substantial orders for future delivery, so that in the absence of any major change in the national situation I expect this desirable situation to continue at least for the rest of the year.

In certain directions, particularly in relation to the Television Industry, conditions show little improvement on those prevailing last year and it is hard to foretell when a change for the better will take place. However, Credit restriction has not had any material effect on many other parts of our now broadly based business and I see no reason to expect deterioration in such directions. Taking an overall view of our prospects for the year ahead I therefore believe that we are justified in viewing the future with reasoned confidence, while we are undoubtedly well placed to take full advantage of any improvement in the situation which may occur.

Finally, I would like to record our thanks for the hard work and enthusiasm on the part of our staff which has contributed so much towards the results achieved, and which has become so much part of the philosophy and tradition of our Group.

Plessey

AGAR, CROSS & COMPANY, LIMITED

YEAR OF VARYING FORTUNES

The Fifty-fifth Annual General Meeting of Agar, Cross & Company, Limited was held on December 21st in London, **Mr Val C. Fisher, CA** (Chairman and Managing Director), presiding.

The following is a summary of his circulated statement:

The highlight of the year under review was the issue of £900,000 7½ per cent Convertible Loan Stock, 1975/85, at £100 per cent. The proceeds enabled us to finance the outstanding UK taxation liability, provide a modicum of working capital for our subsidiaries and effect a substantial remittance to our Argentine Organisation.

Parent Company's Profit and Loss Account: The year to June 30, 1961, was one of varying fortunes.

During the six months to the end of December, 1960, the trading outlook was bright and the prospects for the year appeared such as to justify a forecast which might match the results of the year to June 30, 1960.

At the end of December, however, Argentine credit restrictions, which had been in force for some time, were severely tightened and these, coupled with the almost complete failure of the wheat harvest, made it virtually impossible to sell except on increasingly long terms. Competition at the same time became much keener and in certain lines profit margins had to be drastically cut to effect sales.

In spite of these difficulties total sales for the year to June 30, 1961, were 22 per cent up on the previous year's record figure, but the gross profit on this substantially increased turnover was insufficient to compensate for the overall narrower profit margins, and the gross profit for the year was some 10 per cent lower than last year.

The trading profit of £800,177 is £368,151 down on last year's figure of £1,168,328.

The Argentine exchange rate remained steady during the year and, in fact, showed a small improvement at June 30, 1961, which resulted in an exchange credit of £13,277 (£25,562).

Smaller profits, a change in the mode of assessment and the elimination of the Emergency Tax, 1960, have reduced Argentine taxation by £303,080 from last year's £569,821 to this year's £266,741.

The amounts charged for United Kingdom Income Tax and Profits Tax are greater than last year since that year had the benefit of the carrying forward of earlier years' losses. Unilateral Relief is down since the Argentine taxation is down. The provision for UK Taxation is therefore £160,000 (£1,297).

The total of Argentine and UK taxation is £426,741 or £144,377 down.

Interest on the new issue of 7½ per cent Convertible Loan Stock, 1975/85, has been provided at £27,492 (nil).

Our partly-owned subsidiary in Argentina, Compania General de Asfaltos S.A. continued to make profits and paid the Parent Company a dividend of £9,595 (£11,360).

The subsidiary companies overall have produced a substantial loss and it has been decided to provide in the Parent Company's Accounts £45,000 in respect of this.

Profits, after taxation and the above provisions, are £314,221 compared with last year's £622,772, or a drop of £308,551.

Whilst I keenly regret this fall against our forecast, nevertheless, in spite of all our unpredictable difficulties, I think it is fair for me to remind you that the trading profit compares very favourably with the figure of £460,891 for the year to June, 1959, and £236,760 for the year before that.

Prospects: We estimate that in spite of increasingly keener competition we shall be able to maintain, if not better, last year's record sales but profit margins may again be lower.

Sales to the end of November, 1961, are higher than last year.

The report and accounts were adopted and a dividend of 12½ per cent was approved.

PONTIN'S LIMITED

The twenty-first annual general meeting of Pontin's Limited was held on December 21st in London, **Mr F. W. Pontin** (Chairman and Managing Director), presiding.

Mr Pontin said that he was pleased to report that the Group Profits before Tax amounted to £251,829 as compared with £170,582, an increase of 48 per cent.

Reviewing events, the Chairman referred to the acquisition of Middleton Tower Holiday Camp Limited, the Little Canada Holiday Village in the Isle of Wight, Jersey Jubilee Campers Limited, Squires Gate Blackpool Holiday Camp Limited and the Dolphin Holiday Camps (Devon) Limited.

Commenting on the Issue of 1,626,250 Ordinary Shares of 2s. each at a price of 6s. in February last, Mr Pontin said that the net proceeds had been used to finance considerable expansions of, and improvements to the Company's freehold properties.

Mr Pontin added: As a result of increased accommodation, your Company catered for more guests during the season recently ended than hitherto and your Board are confident that the trading results of the current year will again show an appreciable advance.

Your Board have a further programme of expansion to existing properties in hand, and at all times are seeking to expand the Company's activities by the acquisition of suitably established camps. As a result, your Board will shortly be seeking new Capital to further finance the development of the Company's business.

The report was adopted and the total dividend of 35 per cent was approved.

At a subsequent extraordinary general meeting the proposed increase in the authorised capital from £1,000,000 to £1,500,000 by the creation of 5,000,000 Ordinary shares of 2s. each was sanctioned.

COMPANY AFFAIRS

Arthur Guinness

In the mid-fifties, Arthur Guinness's gross return on assets employed ran consistently around 26 per cent. In 1958-59 the rate came down to 23 per cent ; it remained at this level in 1959-60, but it was again reduced to 21 per cent in 1960-61. For a brewery whose capital is locked up in productive capacity and not in tied outlets, such a trend is not alluring. With the coagulation of the brewing industry into massive trading rings, Arthur Guinness has had to fight harder to hold its share of the market. In 1960-61, when most of the other big brewers earned bigger profits, Guinness earned smaller profits because costs were rising. It was either unable or unwilling to pass on the cost increases and impose smaller margins on the brewers who bottle and stock Guinness stout. Depreciation was higher, as a result of heavy capital expenditure on metal casks and new plant ; the promotion of "Harp" lager was expensive ; additions were made to the sales force for "Harp" and draught container stout ; wages went up ; and advertising expenses rose. So gross profits fell from £8,207,000 to £7,989,000 ; net profits fell from £4,610,000 to £4,240,000 ; and the directors merely kept their earlier promise of a 22 per cent dividend.

Capital expenditure was heavy in 1960-61 at nearly £6 million, and Lord Iveagh says it will be as big in 1961-62. But as Guinness has liquid assets of £7 million and a retained cash flow of about £3 million, it need not come to the market for new money. Until the "Harp" lager venture makes money, however, the rate of return is likely to remain depressed. Much current capital expenditure is on lager, particularly at the Alton and Dundalk breweries.

There are several ways by which the directors hope to reverse the trend in returns. The company has modernised its casks ; it has improved its plant ; it is well versed in the research and development of continuous brewing ; and it has made a big effort to secure a niche in the free trade for its container stout, served under pressure. Moreover, it is making increasing efforts to add to exports ; it is already the biggest exporter of beer from the British Isles and in partnership with the United Africa Group it is building a brewery in Nigeria. In addition, it has sought to diversify its interests, notably into confectionery (where both sales and profits made a "satisfactory increase" in 1960-61) and more recently into pharmaceuticals. In time, some of the new ideas and new investments of this ably-managed company must pay off ; but investors who can currently buy the stock at 50s. 6d. to yield 4½ per cent cannot expect a quick increase in the rate of return on capital employed.

Lancashire Steel

The disappointing 1961 steel profit and dividend season ended on a slightly brighter note, for the results for Lancashire Steel were better than expected. The group primarily makes wire rods for which demand has declined ; it has also had to face the suspension of import duties on these products which has continued even after the shortage ended. Yet the fall of 11½ per cent in trading profits in the year to September 30th from £5,926,000 to £5,237,000 compares favourably with the results from other steel companies. Despite the installation of the new rod and bar mill at Irlam the depreciation charge has been raised by only £50,000 to £1,125,000. Investment allowances, however, have more than doubled from £205,000 to £475,000 and with their help earnings are only some 3.3 points lower at 40.3 per cent and cover the maintained 11 per cent dividend just over 3½ times.

These results may give a too favourable impression of the group's present trading experience for a year ago the chairman reported a reasonably good order book and continued full time working and it may be that the group was not so happily placed in the second half of the year. For the longer term, the group's current development plan is designed in part to increase the capacity for concrete reinforcement rods and light sections and thus make it less vulnerable to fluctuations in demand from its wire manufacturing customers. At 32s. 3d. the £1 shares are a little above their 1961 low and yield 6.8 per cent.

Lancashire Cotton

Lancashire Cotton publishes half-yearly figures and it is now clear that its profits fell away in the second half of the year to end-October. In recent months numerous warnings have come from Lancashire of the return to more difficult trading conditions in the cotton industry. In the half-year to end-April, profits before tax and depreciation rose to £2,122,000 compared with £1,947,000 in the corresponding period in 1959-60 ; in the full year, profits fell by 10 per cent from £4,188,000 to £3,775,000. After a slightly higher depreciation charge and a lower tax charge, net profits fell from £1,886,000 to £1,691,000, which covers the maintained 25 per cent dividend 1.3 times.

If profits in the current year do not rise above the level of the last six months, the present dividend might not be fully covered by earnings. This none too bright prospect is reflected in the yield of 10.7 per cent on the £1 shares which have fallen by 4s. 3d. to 46s. 9d. since the results.

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

On both sides of the Christmas holiday there has been a firm undertone to stock markets although business has been extremely quiet as is usual at this time of the year. Sentiment was barely affected before the weekend by "the hammering" of a firm of stockbrokers but a large volume of business in both Courtaulds and Imperial Chemical Industries and continued selling of Unilever to American investors has brought in its turn a reinvestment demand for other equities. After the holiday the sustained rally on Wall Street has assisted markets to keep their firm tone. Over the week to Wednesday *The Economist* indicator rose by 2.5 points to 359.2. The gilt-edged market has remained very quiet and the few changes in prices have been limited to 1/16 either way.

With the usual falling away in company news attention has been focused on a further bout of take-over bids and mergers or rumours of them. In the latter category Cunard was prominent with a gain of 1s. 9d. to 17s. Rumours linked Cunard with Mr Clore—the Furness Shipbuilding Company is in the Sears Holdings group—British and Commonwealth Shipping and Peninsular and Oriental Steam Navigation and B and C shares gained 1s. to 29s. 6d. while P and O gained 1s. 3d. to 29s. 4½d. Second Covent Garden's deal with Zeckendorf Property had little effect on the shares which closed unchanged at 35s. 3d. Handley Page lost 1s. to 11s. 10½d. following the statement at the annual meeting that no satisfactory offer had been received.

Elsewhere bank shares have been steady in front of the dividend season which starts next week, while after the better than expected results from Lancashire Steel most steel shares showed small gains with United Steel 1s. 1½d. up at 39s. 9d., and Lancashire Steel up 7½d. to 31s. 10½d. The latest results from the cotton industry sent leading shares lower with Lancashire Cotton losing 3s. to 48s. following its results, and Fine Spinners 4½d. to 22s. 4½d. on its disappointing interim statement. Among store shares Woolworth gained 1s. 7½d. to 52s. 6d.; its results are due in about three weeks. Montague Burton came in for some profit taking and the ordinary shares lost 2s. 9d. to 104s. 3d., and the "A" shares 3s. 1½d. to 94s. 1½d.

Oil shares provided some interest on Wednesday with British Petroleum losing ground on the uncertain news from Kuwait and over the week the shares lost 1s. 3d. to 33s. 3d. Lobitos closed at a new low of 14s., a fall of 1s. 9d. on the news of increased Peruvian taxes. Shell Transport was a firm market ahead of the split into 5s. units and over the week was unchanged at 120s. 6d. Castrol gained 1s. 3d. to 41s. 3d. reflecting the increase in motor oil prices.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended December 16, 1961, there was an "above-line" deficit (after allowing for sinking funds) of £62,872,000 compared with a deficit of £2,072,000 in the previous week and a deficit of £39,174,000 in the corresponding period of last year. There was a net expenditure "below-line" of £7,845,000 leaving a total cumulative deficit to date of £883,995,000 compared with £908,524,000 in 1960–61.

£'000	Estimate 1961–62	April 1, 1960, to Dec. 17, 1960	April 1, 1961, to Dec. 16, 1961	Week ended Dec. 17, 1960	Week ended Dec. 16, 1961
Ordinary Revenue					
Income Tax....	2,728,500	933.634	1,060,206	23,458	25,475
Surtax	210,000	52,500	59,900	2,200	2,500
Death Duties ..	240,000	160,900	181,500	4,000	4,700
Stamps	94,000	62,800	68,300	1,500	1,700
Profits tax, EPT and EPL.....	325,500	203,800	256,100	6,700	6,800
Other Inland Rev. Duties..	...	50	...	...	...
Total Inland Rev.	3,598,000	1,413,684	1,626,006	37,858	41,175
Customs.......	1,550,000	1,064,023	1,173,581	33,392	33,807
Excise.........	960,000	691,850	716,805	6,435	8,715
Total Customs and Excise...	2,510,000	1,755,873	1,890,386	39,827	42,522
Motor Duties ..	155,000	41,474	51,310	482	3,712
PO (Net Recpts)	...	1,500	...	1,500	...
Broadcast Lic's..	40,000	22,500	23,800	...	...
Sundry Loans ..	} 205,000	40,292	} 188,129	} 857	} 800
Miscellaneous ..		80,309			
Total	**6,508,000**	**3,355,632**	**3.779,631**	**80,524**	**88,209**
Ordinary Expenditure					
Debt Interest ..	660,000	470,337	520,882	29,559	44,888
Payments to N. Ireland Exch.	92,000	56,577	59,576	...	...
PO Fund — Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds .	8,000	4,726	4,991	9	23
Supply Services.	5,186,902	3,332,597	3,613,863	89,800	105.600
Total	**5,961,902**	**3,864,237**	**4,206,594**	**119,368**	**150,511**
Sinking Funds..	40,000	26,230	26,784	330	570
"Above-line" Surplus or Deficit		**534,835**	**453,747**	**39,174**	**62,872**
"**Below-line**" Net Expenditure*		373,689	430,248	12,936	7,845
Total Surplus or Deficit		**908,524**	**883,995**	**52,110**	**70,717**
Net receipts from :					
Tax Reserve Certificates		199,498	188,800	10,725	570
Savings Certificates.....		44,900	−18,400	1,400	700
Defence Bonds		77,104	19,899	2,052	485
Premium Savings Bonds.		40,650	29,100	700	500
Total...............		**362,152**	**219,399**	**14,877**	**2,255**

* 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

(£ million)

	Treasury Bills		Ways and Means Advances		Total Floating Debt.
	Tender	Tap	Public Dept.	Bank of England	
1960					
Dec. 17	3,610·0	1,794·1	211·4	...	5,615·5
1961					
Sept. 16	3,240·0	1,905·2	229·5	...	5,374·7
„ 23	3,220·0	1,928·7	228·3	...	5,377·0
„ 30	3,220·0	2,018·6	283·7	...	5,522·3
Oct. 7	3,240·0	1,998·1	207·2	...	5,445·3
„ 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	0·8	5,494·8
Nov. 4	3,280·0	2,063·7	201·1	...	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
Dec. 2	3,350·0	2,078·9	228·5	...	5,657·4
„ 9	3,370·0	2,083·8	222·2	0·8	5,676·0
„ 16	3,370·0	2,148·9	235·2	...	5,754·9

THE MONEY MARKET

After the fairly rough handling the discount market has recently received from the authorities, it was little surprise when, at the Treasury bill tender on the Friday before Christmas, the syndicate of discount houses lowered its bid for the £210 million of 91-day bills on offer by 3d. to £98 13s. 2d. The move was well timed. Total applications were sharply down by £55 million to £314 million and the market actually increased its allotment to 52 per cent compared to 37 per cent on its higher bid in the previous week. The average rate of discount rose by 10.35d. to £5 7s. 3.18d. per cent. The market's allotment of 63-day bills was 73 per cent.

Credit became progressively easier on the three working days before Christmas. On Friday the authorities sold a small number of bills to absorb the surplus credit and on Saturday the rate for day-to-day loans opened at the clearing banks' minimum of 4⅜ per cent. When the market reopened on Wednesday, with four working days to the end of the year, credit was very short. Five or six houses were forced to borrow a fairly large amount from the Bank at the penal rate despite the authorities' large special purchase of bills.

MONEY RATES

LONDON

	%		%
Bank rate (from 6½%, 2/11/61)....	6	**Discount rates** (Wednesday):	
Deposit rates (7 days' notice):		Bank bills:	
Banks............	4	60 days	5 5/8–5 11/16
Discount houses ...	4–4¼	3 months....	5 5/8–5 11/16
Local Authorities..	7	4 months....	5 5/8–5 11/16
Call money :		6 months....	5 5/8–5¾
Clearing banks'		Fine trade bills:	
minimum	4⅜	3 months....	6¾ –7½
Day-to-day	4⅜–5½	4 months....	6¾ –7½
		6 months....	7 –8

NEW YORK

	%		%
Official Discount rate : (from 3½%, 11/8/60)	3	**Treasury bills :** Dec. 18.......	2·670
		„ 22.......	2·594

BANK OF ENGLAND RETURNS

(£ million)	Dec. 28, 1960	Dec. 20, 1961	Dec. 27, 1961
*Issue Department** :			
Notes in circulation.......	2,373·9	2,457·2	2,458·1
Notes in banking dept.....	26·5	18·1	17·2
Govt. debt and securities* .	2,398·0	2,473·9	2,474·0
Other securities	0·8	0·8	0·8
Gold coin and bullion.....	0·4	0·4	0·4
Coin other than gold coin .	1·3	0·3	0·3
Banking Department :			
Deposits :			
Public accounts...........	13·1	14·7	22·2
Special deposits	151·3	233·5	233·5
Bankers	226·3	234·2	216·1
Others	65·6	71·0	73·0
Total....................	456·3	553·4	544·7
Securities :			
Government	403·5	499·5	476·5
Discounts and advances....	24·8	33·7	49·1
Other....................	18·9	19·3	19·2
Total....................	447·2	552·5	544·8
Banking department reserve .	27·3	19·0	18·1
" Proportion "	% 5·9	% 3·4	% 3·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,475 million on December 13th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered		Applied for	Three Months' Bills Average Rate of Allotment	Allotted at Max. Rate *
1960	91 day			s. d.	%
Dec. 23	250·0		362·4	87 1·45	67
1961					
Sept. 22	250·0		383·3	130 6·51	65
„ 29	270·0		447·9	131 0·48	39
Oct. 6	260·0		397·9	122 5·80	57
„ 13	260·0‡		419·0	120 2·28	59
„ 20	250·0		416·1	118 5·35	51
„ 27	250·0		431·2	114 6·57	66
	91 day	63 day			
Nov. 3	200·0	60·0	412·7	108 6·10	63
„ 10	230·0	40·0	458·9	108 5·49	44
„ 17	220·0	50·0	430·2	107 9·71	56
„ 24	220·0‡	60·0	471·8	107 9·40	42
Dec. 1	220·0	50·0	461·3	107 1·08	44
„ 8	230·0	30·0	455·3	106 5·34	46
„ 15	210·0	50·0	371·6	106 4·83	37
„ 22	210·0	50·0	379·0	107 3·18	52

* On December 22nd tenders for 91 day bills at £98 13s. 2d. secured 52 per cent, higher tenders being allotted in full. The offer for this week was for £250 million 91 day bills ‡ Allotment cut by £10 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits December 27	Market Rates : Spot December 21	December 22	December 23	December 25	December 26	December 27
United States $	2·78–2·82*	2·80 9/16–11/16	2·80 11/16–13/16	2·80 11/16–13/16			2·80 7/8–81
Canadian $ ...	...	2·92 5/8–3/4	2·92 3/4–7/8	2·92 5/8–3/4			2·92 7/8–93
French Fr.....	13·622–14·027	13·74 3/4–75	13·75 1/8–3/8	13·75 1/4–1/2			13·76 1/4–1/2
Swiss Fr.	11·94–12·54 7/8	12·10 5/8–7/8	12·11 1/4–1/2	12·10 7/8–11 1/8			12·12 1/8–3/8
Belgian Fr. ...	137·96–142·05	139·65–70	139·70–75	139·70–75			139·85–90
Dutch Gld. ...	9·98 3/4–10·28 1/2	10·12 1/8–3/8	10·10 3/4–11	10·10 5/8–7/8	MARKET CLOSED	MARKET CLOSED	10·11–11 1/4
W. Ger. D-Mk.	11·037–11·365	11·21 3/4–22	11·21 7/8–22 1/8	11·21 3/4–22			11·23 1/4–1/2
Portug. Esc. ..	...	80·23–33	80·20–30	80·20–30			80·20–30
Italian Lire ...	1725–1775	1741 1/4–3/4	1741 3/4–42 1/4	1741 3/4–42 1/4			1743–43 1/2
Swedish Kr. ..	14·27 1/2–14·70	14·51 1/2–3/4	14·53–53 1/4	14·53–53 1/4			14·55–55 1/4
Danish Kr. ...	19·06 1/2–19·62	19·30 5/8–7/8	19·30 5/8–7/8	19·30 5/8–7/8			19·30 5/8–7/8
Norwegian Kr.	19·71–20·30 1/2	20·00 3/8–5/8	20·00 1/2–3/4	20·00 5/8–7/8			20·00 3/4–01

* Official Limits

One Month Forward Rates

	December 21	December 22	December 23	December 25	December 26	December 27
United States $..................	11/16–9/16c. pm	11/16–9/16c. pm	11/16–9/16c. pm			11/16–9/16c. pm
Canadian $	3/4–5/8c. pm	3/4–5/8c. pm	3/4–5/8c. pm			3/4–5/8c. pm
French Fr.......................	3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm	3 1/4–2 3/4c. pm			3 1/2–3c. pm
Swiss Fr.	3–2 1/2c. pm	3–2 1/2c. pm	3–2 1/2c. pm			3 1/8–2 5/8c. pm
Belgian Fr......................	35–25c. pm	30–20c. pm	30–20c. pm			30–20c. pm
Dutch Gld.	4 1/4–3 3/4c. pm	4 1/4–3 3/4c. pm	4 1/4–3 3/4c. pm			3 3/4–3 1/4c. pm
W. German D-Mk.	4–3 1/2pf. pm	4–3 1/2pf. pm	4–3 1/2pf. pm			4–3 1/2pf. pm

Three Months Forward Rates

	December 21	December 22	December 23	December 25	December 26	December 27
United States $..................	1 7/8–1 3/4c. pm	1 7/8–1 3/4c. pm	1 7/8–1 3/4c. pm			1 7/8–1 3/4c. pm
Canadian $	2 1/16–1 15/16c. pm	2–1 7/8c. pm	2–1 7/8c. pm			1 15/16–1 13/16c. pm
Swiss Fr.	9 1/2–9c. pm	9 1/2–9c. pm	9 1/2–9c. pm			9 3/4–9 1/4c. pm
W. German D-Mk.	11–10 1/2pf. pm	11–10 1/2pf. pm	11–10 1/2pf. pm			10 3/4–10 1/4pf. pm

Gold Price at Fixing

	December 21	December 22	December 23	December 25	December 26	December 27
Price (s. d. per fine oz.).........	250/5	250/3 3/4	...			250/2 1/4
„ ($ „ „ „).........	35·14	35·14	...			35·14

LONDON AND NEW YORK STOCKS

Prices, 1961 High	Prices, 1961 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 20, 1961	Price, Dec. 27, 1961	Net Yield, Dec. 27, 1961 §	Gross Yield, Dec. 27, 1961
					£ s. d.	£ s. d.
92½	88⅜	Savings Bonds 3% 1955–65	90 7/16	90 7/16	4 11 10	5 19 2l
100 1/32	99	Convers. 4½% 1962	99-17-2	99-17-4½	...	5 5 6
99 1/16	98⅞	Convers. 4½% ....Asst'd. (m)	99	99 1/16	3 17 11	6 6 5
91 13/16	91 13/16	Convers. 4½% ....Asst'd. (n)	91 13/16	91 13/16	3 19 10	6 6 4
96⅞	93¾	Exchequer 3% 1962–63	96 3/32	96⅛	4 11 8	5 16 3l
101 5/16	98⅝	Treasury 5½% 1962	100 5/16	100 11/32	2 13 2	5 1 7
93 29/32	90¼	Exchequer 2½% 1963–64	93 3/32	93 5/32	4 11 1	5 12 5l
99 19/32	96⅝	Conversion 4¾% 1963	98 15/32	98½	3 18 7	5 16 9
98 9/32	94½	Conversion 4½% 1964	96 27/32	97	4 0 0	5 17 6
101 5/16	96	Exchequer 5½% 1966	98⅛	98 3/16	3 13 7	5 19 11
83⅛	78 3/16	Funding 3% 1959–69	82½	82½	4 15 4	6 2 3l
89¾	84¼	Funding 4% 1960–90	88⅝	88⅝	3 12 1	5 6 1l
80½	74⅝	Savings Bonds 3% 1960–70	79½	79½	4 16 11	6 4 11l
85⅛	80¾	Savings Bonds 2½% 1964–67	84 13/16	84 13/16	4 16 11	5 19 0l
72 11/16	66¼	Savings Bonds 3% 1965–75	71 7/16	71⅜	4 15 9	6 5 6l
84 11/16	78⅞	Funding 3% 1966–68	84 7/16	83 3/16*	4 16 4	6 1 9l
86 3/16	80¼	Conversion 3½% 1969	85⅝	85⅝	4 12 9	6 4 4
97½	92½	Victory 4% 1920–76	93⅞	93⅞	3 10 0	5 4 4†
93 5/16	87	Conversion 5% 1971	90 7/16*	90 7/16*	4 5 7	6 6 5
95 11/16	88½	Conversion 5¼% 1974	92	92	4 1 1	6 4 1
73⅛	66	Treasury 3½% 1977–80	69 3/16	69 3/16	4 13 2	6 7 6l
72¼	65	Treasury 3½% 1979–81	69 3/16	69 3/16	4 13 2	6 8 10l
97 9/16	88½	Funding 5½% 1982–84	90*	90*	4 1 0	6 6 7l
59½	51½	Redemption 3% 1986–96	53⅞	53⅞	4 10 0	6 7 3l
88¼	79¼	Treasury 5% 1986–89	82 3/16	82 3/16	4 3 10	6 9 4l
63 1/16	55	Funding 3½% 1999–2004	56 11/16*	56 11/16*	4 8 0	6 10 2l
94⅝	81⅝	Treasury 5½% 2008–12	84⅞	84⅞	4 2 8	6 13 2l
65⅜	56½	Consols 4% ......after Feb. 1957	59¾	58 1/16*	4 4 1	6 16 11l
59¼	50½	War Loan 3½% ....after 1952	51 15/16	51⅞	4 2 11	6 15 8f
59	50½	Conv. 3½% ......after Apr. 1961	52	52	4 3 4	6 16 10f
50⅞	43¼	Treasury 3% .....after Apr. 1966	44½	44½	4 3 5	6 17 0f
44	36½	Consols 2½%	37⅞	37⅞*	4 0 10	6 11 10f
43½	36½	Treasury 2½%....after Apr. 1975	37⅞	37⅞	4 1 8	6 14 2f
91⅞	85¾	British Electric 4½%.....1967–69	91 7/16	91 7/16	4 4 11	6 4 2l
75 11/16	70⅛	British Electric 3% 1968–73	74⅝	74 9/16	4 17 0	6 5 6l
70⅝	64½	British Electric 3% 1974–77	69	69	4 15 7	6 5 8l
81⅞	74⅞	British Electric 4¼%.....1974–79	79 7/16	79 7/16	4 6 7	6 5 11l
73½	67	British Electric 3½%.....1976–79	70 3/16	70 3/16	4 12 9	6 7 1l
84⅞	78¾	British Gas 4%...........1969–72	84⅛	84⅛	4 9 2	6 5 5l
82	76	British Gas 3½%..........1969–71	81½	81½	4 12 4	6 4 4l
59⅜	51¾	British Gas 3%...........1990–95	53 9/16	53⅝	4 11 8	6 8 7l
75 11/16	70⅛	British Transport 3% 1968–73	74⅝	74 9/16	4 17 0	6 5 6l
80⅞	74	British Transport 4% 1972–77	77 3/16	77 3/16	4 9 5	6 5 11l
61 7/16	53¾	British Transport 3% 1978–88	56 5/16*	56 5/16*	4 15 1	6 9 4l

Prices, 1961 High	Prices, 1961 Low	DOMINION AND CORPORATION STOCKS	Price, Dec. 20, 1961	Price, Dec. 27, 1961	Yield, Dec. 27, 1961
					£ s. d.
82¼	76½	Australia 3¼% 1965–69	80¾	80⅝	6 14 0l
101	92¾	Australia 6%........................1974–76	97⅛	97	6 8 0l
72½	64½	Ceylon 4% 1973–75	66¼	66¼	8 6 0l
101⅛	92¾	New Zealand 6% 1976–80	95½	95¼	6 12 0l
80½	70½	Rhodesia and Nyasaland 6% 1978–81	75½*	75½*	8 11 0l
81¼	73	South Africa 3½%....................1965–67	81¼	81¼	7 19 0l
59	53½	Southern Rhodesia 4½% 1987–92	58	58	8 10 0l
94⅝	85⅛	Agricultural Mortgage 5½% 1980–85	86½*	86½*	6 13 0l
89	82¼	Birmingham 4¼% 1967–70	85¾*	85¾*	6 7 0l
92¾	86½	Bristol 5%..........................1971–73	88½	88½	6 8 0l
93	86½	Corporation of London 5¼% 1976–79	88	88	6 8 0l
48¾	41	L.C.C. 3% ....after 1920	42⅞	42⅞	6 19 0f
89⅛	80⅛	L.C.C. 5%...........................1980–83	83¾	83¾	6 9 0l
93	84¼	Middlesex 5¼% 1980	88⅛	88¼	6 9 0l

NEW YORK PRICES AND INDICES

	Dec. 20 $	Dec. 27 $		Dec. 20 $	Dec. 27 $		Dec. 20 $	Dec. 27 $
Atch. Topeka ...	26½	27¼	Boeing.........	52	51¾	Int. Harvester..	49⅜	52
Can. Pacific.....	25⅛	25⅛	Celanese	33⅞	35¾	Inter. Nickel...	81⅝	85⅛
Pennsylvania	16¼	17⅛	Chrysler	48⅝	49¾	Inter. Paper ...	36¾	37⅜
Union Pacific ...	32¾	33½	Col. Palmolive ..	53¼	52½	Kennecott.....	81	83
Amer. Electric ..	67½	68¼	Crown Zeller...	59¼	59	Monsanto	51¾	54⅛
Am. Tel. & Tel...	135¾	136⅝	Distillers Seag...	41	42⅞	Nat. Distillers..	26⅞	27
Cons. Edison....	82½	82¾	Douglas........	35½	36¾	Pan-American .	20¾	21¾
Int. Tel. & Tel...	58	58½	Dow Chemical..	71⅞	73½	Procter Gamble	93¾	93⅜
South'n. Nat. Gas	48⅛	53⅝	Du Pont........	239¼	246¼	Radio Corpn...	53⅝	52¾
United Corpn...	8⅝	8½	East. Kodak.....	109¼	110⅜	Sears Roebuck .	89¼	88⅞
Western Union .	38⅞	39	Ford Motor.....	111	115⅛	Shell Oil	38½	39¼
Alcoa.........	62½	65⅜	Gen. Electric ...	75¾	74	Socony-Mobil ..	50¾	51⅝
Aluminium	26⅝	28¼	General Foods ..	92¼	93½	Stand. Oil Ind..	55½	55¾
Amer. Can.....	46⅝	46⅛	General Motors .	55½	57½	Stand. Oil N.J..	50¾	51
Am. Smelting...	63¾	62⅞	Goodyear	42⅞	43⅛	Union Carbide.	122	122¼
Am. Viscose	52¾	53	Gulf Oil.......	42⅞	42⅛	U.S. Steel	77¾	79¾
Anaconda	48½	49⅛	Heinz.........	62½	63½	West. Electric..	37⅞	38½
Beth. Steel	40¾	42½	Int. Bus. Mach...	575	582	Woolworth....	91¾	91

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

1961	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Nov. 29	75·49	2·76	33·90	4·82	67·26	2·93	88·39	4·04
Dec. 6	75·97	2·77	33·56	4·83	66·59	2·83	87·87	4·09
„ 13	76·60	2·74	33·33	4·87	66·84	2·77	87·67	4·11
„ 20	75·22	2·81	32·39	4·98	64·85	3·08	87·57	4·12
„ 27	75·93	2·78	33·09	4·88	64·21	3·11	87·67	4·11

425 Industrials :—High, 76·69 (Dec. 12). Low, 60·87 (Jan. 3).

* Ex dividend. † Tax free. ‡ Assumed average life 7¾ years. § The net redemption yields allow for tax at 7s. 9d. in £. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of 1s. 0d. per share. (f) Flat yield. (m) Assented into Conversion 6% 1972. (n) Assented into Funding 5½% 1982–84.

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:

	Unit	Monthly averages 1958	1959	1960	1960 Sept.	Oct.	Nov.	1961 July	Aug.	Sept.	Oct.	Nov.
VALUE												
Imports:												
Total	£ million	312·3	331·9	379·9	363·4	378·7	419·8	350·2	358·8	343·1	378·0	373·0
Food, drink and tobacco	,,	124·2	126·5	128·8	123·9	139·9	149·5	114·5	113·9	123·1	136·2	128·8
Basic materials	,,	74·1	77·6	88·6	83·6	81·9	94·7	76·8	87·0	71·9	79·8	74·6
Fuels	,,	36·6	38·9	40·2	38·1	38·4	45·5	41·3	38·7	35·3	40·0	40·3
Manufactures	,,	76·1	87·6	120·7	116·7	117·0	128·4	116·1	117·8	111·3	120·6	127·9
Exports of U K produce:												
Total	,,	264·7	277·5	296·3	261·2	258·9	344·0	308·7	305·2	260·5	319·4	319·4
Manufactures—Total	,,	222·5	234·5	250·1	219·2	213·3	287·9	263·7	259·6	215·6	265·7	266·1
,, Metals	,,	36·0	37·8	39·3	35·4	36·3	46·5	40·8	35·9	30·7	41·2	41·1
,, Engineering products	,,	115·6	122·4	131·0	105·3	104·6	147·0	140·0	148·3	112·0	139·9	140·8
,, Textiles	,,	21·2	20·7	21·8	21·2	20·1	24·1	21·4	19·1	18·1	20·8	21·5
Re-exports	,,	11·8	10·9	11·8	12·8	12·1	11·8	14·4	13·4	12·5	13·0	12·9
Balance of trade (exports *less* imports)	,,	−35·8	−43·5	−71·8	−89·4	−107·7	−64·0	−27·1	−40·2	−70·1	−45·6	−40·7
VOLUME(1)												
Imports:												
Total	1954=100	114	122	138	135[4]	...	141[5]	...	128[4]	...	137	135
Food, drink and tobacco	,,	119	118	121	113[4]	...	129[5]	...	115[4]	...	...	...
Basic materials	,,	94	101	110	112[4]	...	110[5]	...	94[4]	...	...	...
Fuels	,,	124	143	157	151[4]	...	162[5]	...	155[4]	...	...	...
Manufactures	,,	132	150	201	199[4]	...	199[5]	...	187[4]	...	...	...
Exports:												
Total	,,	111	116	122	113[4]	...	125[5]	...	119[4]	...	131	131
Manufactures	,,	113	117	124	116[4]	...	124[5]	...	121[4]	...	...	...
BY AREA												
Imports:												
U S A	£ million	29·2	30·9	47·3	49·5	57·4	60·5	28·3	36·2	40·9	53·6	42·8
Canada	,,	25·7	26·0	31·3	28·5	32·8	34·8	29·4	31·5	27·5	29·7	33·2
Latin America	,,	24·6	26·8	26·0	22·6	25·6	21·5	24·2	21·8	18·4	18·9	17·4
West'n. Europe—Common Market	,,	44·4	46·6	55·2	53·2	53·5	58·9	57·2	56·3	53·7	58·3	64·4
,, ,, Free Trade Association (3)	,,	36·2	39·0	46·7	50·7	47·1	50·2	48·8	47·2	46·3	45·3	46·5
Soviet Eastern Europe	,,	8·5	9·7	11·6	13·4	15·3	13·5	13·5	16·7	14·9	17·6	14·5
Other Non-Sterling	,,	30·9	32·7	35·5	29·3	31·1	43·1	27·7	28·5	27·8	33·6	34·6
Sterling area	,,	112·8	120·2	126·3	116·2	115·9	137·3	121·1	120·6	113·6	121·0	119·6
Exports of U K produce:												
U S A	,,	22·9	30·3	27·4	23·4	23·2	27·4	23·3	25·2	23·7	27·3	27·5
Canada	,,	15·7	17·3	17·9	13·0	13·4	25·5	18·1	18·7	12·3	17·2	20·8
Latin America	,,	12·6	12·9	14·3	11·9	13·4	15·8	14·7	12·7	12·2	15·5	15·9
West'n. Europe—Common Market	,,	34·9	38·8	43·3	38·0	44·3	45·7	53·2	46·4	44·7	58·6	52·4
,, ,, Free Trade Association (3)	,,	29·2	32·0	35·8	30·7	37·1	42·0	40·3	34·2	36·8	47·0	41·7
Soviet Eastern Europe	,,	3·8	5·1	6·4	6·3	3·9	7·5	8·7	9·7	7·7	9·6	9·3
Other Non-Sterling	,,	29·6	29·4	32·2	26·3	25·6	36·2	36·6	33·9	28·6	31·1	34·6
Sterling area	,,	116·0	111·7	119·0	111·7	98·0	143·9	113·8	124·4	94·5	113·1	117·2
TRADE IN SELECTED COMMODITIES												
Imports:												
Wheat	'000 tons	376·4	356·3	342·3	326·3	397·4	360·7	323·0	350·6	269·1	332·0	318·3
Meat	,,	69·4	67·6	70·3	66·6	71·6	74·7	68·0	51·4	53·6	52·9	39·8
Sugar, unrefined	,,	219·3	201·8	184·1	156·5	180·0	143·3	140·2	172·1	148·2	204·0	161·5
Raw cotton (2)	,,	21·5	22·5	22·6	8·4	11·7	19·6	9·8	16·0	10·9	15·5	13·7
Raw wool, sheep's and lambs' (2)	mn. lb.	51·1	58·6	49·9	27·7	30·2	48·7	42·4	32·0	18·9	32·1	35·7
Rubber, natural and synthetic (2)	'000 tons	17·0	17·0	16·4	6·5	15·5	19·6	11·5	18·9	12·2	13·5	15·0
Softwood	'000 stds.	106·4	121·7	150·1	189·9	179·3	173·9	179·0	202·3	171·1	158·1	143·9
Woodpulp	'000 tons	175·4	185·4	226·0	235·7	215·1	268·7	161·4	193·0	196·3	202·8	214·0
Crude petroleum	mn. galls.	728	847	969	1,006	1,035	1,126	1,080	1,065	895	1,093	1,072
Exports of U K produce:												
Coal, including bunkers	'000 tons	403	343	455	489	474	507	493	382	469	620	429
Woven piece-goods—cotton	mn. sq. yds.	32	29	27	25	25	29	23	21	22	24	22
,, ,, ,, wool	'000 sq. yds.	7,893	8,536	8,085	7,225	6,767	9,243	8,387	7,964	6,211	7,361	7,176
Passenger cars and chassis	number	40,323	47,414	47,493	29,795	24,937	35,993	31,497	27,988	28,180	33,791	32,226
Commercial vehicles and chassis	,,	9,303	10,619	12,127	9,180	9,490	14,311	14,877	11,428	10,914	12,188	12,586
Agricultural tractors	,,	8,709	9,474	11,964	12,274	10,354	11,771	13,318	11,470	10,163	11,464	9,720
Machinery—electrical	£'000	5,818	5,706	5,265	4,321	4,332	6,016	5,729	4,758	4,199	5,105	5,001
,, other	,,	42,773	47,264	52,926	44,217	45,828	61,244	62,323	56,925	53,605	61,318	64,990
Chemicals, elements and compounds	,,	5,027	5,862	6,438	6,699	6,246	7,030	5,972	5,620	5,885	6,634	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) Retained imports. (3) Including Finland. (4) Average for third quarter. (5) Average for fourth quarter.

Prices and Wages

	Unit	1958 mid-June	1959 mid-June	1960 mid-June	1960 Dec. 13	Dec. 20	Dec. 28	1961 Nov. 28	Dec. 5	Dec. 12	Dec. 19	Dec. 27
WORLD PRICES												
Commodity Price Indicator(6):												
All items	1958=100	99·7	96·8	98·3	92·9	93·2	93·1	91·9	92·2	92·7	92·6	92·5
Food	,,	100·0	95·8	93·0	90·2	90·3	90·9	89·3	89·5	90·2	90·1	90·0
Fibres	,,	104·2	95·3	98·7	97·9	99·9	98·3	99·7	100·2	99·9	99·2	99·1
Metals	,,	101·2	113·0	122·4	113·8	111·3	110·9	112·9	112·9	114·1	113·5	113·0

	Unit	Monthly averages 1958	1959	1960	1960 Sept.	Oct.	Nov.	1961 July	Aug.	Sept.	Oct.	Nov.
BRITISH WHOLESALE PRICES												
Materials used in:												
All manufacturing industries	1954=100	100·8	101·7	101·8	100·6	100·6	101·0	100·6	100·7	100·2	99·3	99·8
Mechanical engineering	,,	123·5	124·5	126·2	126·2	126·1	126·0	128·6	128·7	128·6	128·4	128·3
Electrical machinery	,,	114·5	115·6	116·9	116·7	116·4	116·4	118·9	118·9	118·9	118·8	118·8
Building and civil engineering	,,	114·2	113·4	115·1	115·5	115·6	115·8	118·8	118·9	118·9	119·1	119·2
House building	,,	111·9	111·0	114·0	114·8	114·9	115·3	118·6	118·6	118·6	118·9	119·0
Products of:												
All manufacturing industries	,,	111·1	111·5	113·0	113·5	113·6	113·8	116·1	116·9	117·1	117·1	117·3
Chemicals and allied trades	,,	105·6	106·6	106·0	105·4	105·1	105·1	104·7	105·2	105·0	105·2	105·3
Iron and steel	,,	129·9	129·0	128·5	128·7	128·6	128·6	130·2	130·2	130·2	130·2	130·3
Textile industry	,,	97·9	96·0	100·8	101·5	102·2	102·6	104·2	103·9	104·0	103·8	103·5
Food manufacturing	,,	104·9	106·9	106·9	107·0	106·8	107·2	107·2	107·2	107·1	107·1	107·9
Commodities:												
Cotton, raw (7)	,,	76·8	68·6	75·0	74·7	75·1	75·7	74·3	73·7	73·9	74·0	74·2
Wool, raw	,,	72·4	76·6	76·3	71·2	70·2	72·3	77·8	78·6	77·2	74·2	74·6
Rubber, No. 1 RSS, *one month future*	,,	118·2	148·1	158·0	146·3	140·8	131·0	123·4	125·0	126·7	121·2	112·3
Softwood, imported	,,	102·1	95·4	104·9	106·6	106·8	107·0	107·7	107·6	107·3	106·6	106·7
Copper, ex-warehouse	,,	79·4	95·6	99·0	94·4	89·4	91·0	92·4	92·9	92·2	92·0	92·2
UK RETAIL PRICES												
All items (1)	Jan. 17, 1956=100	109·0	109·6	110·7	110·5	111·4	111·9	114·6	115·7	115·5	115·7	116·9
Food	,,	107·1	108·2	107·4	106·1	107·4	107·6	110·7	109·9	108·5	108·0	...
All items	1938=100[2]	271	273	276	275	277	279	285	288	288	288	291
Food	,,	282	285	282	279	282	283	291	289	285	284	...
Housing	,,	172	180	186	187	187	188	195	195	196	197	...
Clothing	,,	269	268	271	272	272	273	276	276	277	277	...
Fuel and light	,,	281	284	291	281	292	309	302	303	304	305	...
Household durable goods	,,	307	300	300	302	303	303	305	307	308	309	...
Drink	,,	276	261	256	256	257	257	265	277	279	282	...
Tobacco	,,	428	428	444	449	449	449	455	491	491	491	...
Purchasing power of £ (based on all consumer spending)	1938=100	35·9	35·7	35·4	35·5	35·2	35·1	34·2	33·9	34·0	33·9	33·6
UK TERMS OF TRADE												
Import prices:												
All items	1954=100	99	98	99	98	99	99	97	95	95	96	96
Food, drink and tobacco	,,	97	98	97	97	99	99	92	91	91	91	93
Basic materials	,,	96	93	96	95	95	95	97	96	95	95	93
Fuels	,,	112	104	98	96	96	96	96	93	95	96	97
Manufactured goods	,,	101	104	107	108	107	107	107	106	106	106	106
Export prices:												
All items	,,	110	109	111	112	112	111	112	112	112	112	112
All manufactures	,,	111	111	114	115	115	114	115	115	115	115	115
Metals	,,	118	115	118	118	117	119	118	119	117	118	118
Engineering products	,,	115	117	120	122	122	119	121	122	123	122	122
Textiles (excluding clothing)	,,	101	98	102	103	105	103	105	107	106	106	104
Terms of trade:												
Ratio of import to export prices	,,	90	90	89	88	88	89	86	85	85	85	85
SHIPPING FREIGHTS(8)												
Tramp shipping freights	1960=100	90·4	96·9	100·0	96·5	94·7	99·8	105·8	107·2	110·6	108·0	109·3
UK WAGES												
Weekly wage rates:												
All workers (3)	Jan. 31, 1956=100	114·0	117·0	120·0	120·8	120·7	121·0	125·1	125·2	125·4	126·2	...
Men	,,	113·8	116·8	119·7	120·4	120·3	120·6	124·6	124·7	124·9	125·8	...
Women	,,	114·0	117·0	120·8	121·3	121·5	121·8	125·8	126·1	126·4	126·4	...
Juveniles (4)	,,	115·8	119·0	123·2	125·0	124·8	125·4	130·7	130·8	131·1	131·7	...
All workers	Sept., 1939=100	296	304	312	314	314	314	325	325	326	328	...
Weekly earnings (5):												
Men	s. d.	256 8	271 1	290 8	...	290 8	...	301 4[9]	...	...	...	...
Women (full time)	,,	134 1	140 11	148 4	...	148 4	...	152 7[9]	...	...	...	...
Youths (4)	,,	112 0	117 6	130 0	...	130 0	...	135 9[9]	...	...	...	...
Girls (4)	,,	86 9	90 10	96 10	...	96 10	...	99 11[9]	...	...	...	...
Men	Oct., 1938=100	372	393	421	...	421	...	437[9]	...	...	...	...
Women (full time)	,,	412	432	456	...	456	...	470[9]	...	...	...	...

(1) For a rough conversion to basis of June, 1947, multiply throughout by 1·534. (2) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (3) For a rough conversion to basis of June, 1947, multiply throughout by 1·561. (4) In general, males under 21 and females under 18 years of age. (5) Surveys made twice a year; annual figures relate to October survey. (6) Index revised and rebased on 1958=100 (see *The Economist*, January 7, 1961, page 59). (7) Revised series. (8) Revised series: 1958 and 1959 figures on the old basis of 1952=100 have been linked to 1960=100 by multiplying by 1·348. (9) April.